



Mary Taylor, CPA
Auditor of State

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Kalida Local School District, Putnam County, (the District) as of and for the years ended June 30, 2009 and 2008. 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 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 that our audit provides a reasonable basis for our opinion.

During fiscal year 2008, the District changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits for entities not required to report in accordance with accounting principles generally accepted in the United States of America.

Ohio Administrative Code Section 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 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Kalida Local School District as of and for the years ended June 30, 2009 and 2008, in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2009, 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.

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

November 19, 2009

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$2,575,246		\$374,652		\$2,949,898
Intergovernmental	3,052,935	\$74,826	2,232,412	\$5,779,240	11,139,413
Tuition	205,457				205,457
Earnings on investments	35,858	434	7,186	71,491	114,969
Extracurricular Activities		128,467			128,467
Classroom Materials and Fees	31,154				31,154
Miscellaneous	93,385	6,685		55,093	155,163
Total cash receipts	<u>5,994,035</u>	<u>210,412</u>	<u>2,614,250</u>	<u>5,905,824</u>	<u>14,724,521</u>
Cash disbursements:					
Instruction:					
Regular	2,994,015	66,772		5,287	3,066,074
Special	255,558	6,752			262,310
Vocational Education	92,120				92,120
Other Instruction	8,563				8,563
Supporting Services:					
Pupils	232,790	18,925		5,045	256,760
Instructional Staff	226,759	12,489			239,248
Board of Education	69,130				69,130
Administration	507,152	11,522			518,674
Fiscal Services	207,944		11,260		219,204
Operation and Maintenance of Plant	437,481				437,481
Pupil Transportation	221,468				221,468
Central	24,283				24,283
Extracurricular Activities	190,573	113,208		5,433	309,214
Facilities Acquisition and Construction				6,304,757	6,304,757
Debt Service:					
Principal Retirement			72,977		72,977
Interest and Fiscal Charges			364,748		364,748
Total cash disbursements	<u>5,467,836</u>	<u>229,668</u>	<u>448,985</u>	<u>6,320,522</u>	<u>12,467,011</u>
Total cash receipts over/(under) cash disbursements	526,199	(19,256)	2,165,265	(414,698)	2,257,510
Other financing receipts/disbursements:					
Sale of Bonds				2,182,830	2,182,830
Sale of Fixed Assets	1				1
Transfers-In		49,441		815,088	864,529
Transfers-Out	(864,529)				(864,529)
Advances-In	68,400				68,400
Advances-Out	(67,075)				(67,075)
Total other financing receipts/(disbursements)	<u>(863,203)</u>	<u>49,441</u>		<u>2,997,918</u>	<u>2,184,156</u>
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	(337,004)	30,185	2,165,265	2,583,220	4,441,666
Fund cash balances, July 1	<u>1,616,444</u>	<u>176,936</u>	<u>124,578</u>	<u>3,895,950</u>	<u>5,813,908</u>
Fund cash balances, June 30	<u>\$1,279,440</u>	<u>\$207,121</u>	<u>\$2,289,843</u>	<u>\$6,479,170</u>	<u>\$10,255,574</u>
Reserves for encumbrances, June 30	<u>\$57,002</u>	<u>\$19,429</u>	<u>\$250</u>	<u>\$2,061,394</u>	<u>\$2,138,075</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**KALIDA LOCALSCHOOL 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, 2009

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Trust	Agency	
Operating cash receipts:				
Food Services	\$189,275			\$189,275
Extracurricular Activities			\$172,155	172,155
Total operating cash receipts	<u>189,275</u>		<u>172,155</u>	<u>361,430</u>
Operating cash disbursements:				
Personal Services	85,342		3,151	88,493
Employees Retirement and Insurance	49,031		445	49,476
Purchased Services	2,906			2,906
Supplies and Materials	71,341			71,341
Other Operating Expenses	20,409	\$3,000	153,458	176,867
Total operating cash disbursements	<u>229,029</u>	<u>3,000</u>	<u>157,054</u>	<u>389,083</u>
Operating profit/(loss)	<u>(39,754)</u>	<u>(3,000)</u>	<u>15,101</u>	<u>(27,653)</u>
Non-operating cash receipts:				
Intergovernmental receipts	41,086			41,086
Earnings on Investments	7	571	796	1,374
Refund of Prior Year Expenditures			224	224
Miscellaneous		1,875	450	2,325
Total non-operating cash receipts	<u>41,093</u>	<u>2,446</u>	<u>1,470</u>	<u>45,009</u>
Excess of receipts over/(under) disbursements before interfund advances	1,339	(554)	16,571	17,356
Advances-In	5,875			5,875
Advances-Out	<u>(7,200)</u>			<u>(7,200)</u>
Net receipts over/(under) disbursements	14	(554)	16,571	16,031
Fund cash balances, July 1	<u>3</u>	<u>48,016</u>	<u>59,574</u>	<u>107,593</u>
Fund cash balances, June 30	<u>\$17</u>	<u>\$47,462</u>	<u>\$76,145</u>	<u>\$123,624</u>
Reserve for encumbrances, June 30		<u>\$1,500</u>	<u>\$16,925</u>	<u>\$18,425</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 FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$2,559,354		\$372,955	\$31,184	\$2,963,493
Intergovernmental	3,011,169	\$91,389	44,000	4,189,901	7,336,459
Tuition	201,935				201,935
Earnings on investments	75,865	1,124		26,692	103,681
Extracurricular Activities		92,160			92,160
Classroom Materials and Fees	30,954				30,954
Miscellaneous	61,967	6,890		15,101	83,958
Total cash receipts	<u>5,941,244</u>	<u>191,563</u>	<u>416,955</u>	<u>4,262,878</u>	<u>10,812,640</u>
Cash disbursements:					
Instruction:					
Regular	2,854,065	44,199		6,899	2,905,163
Special	230,953	24,174			255,127
Vocational Education	81,114				81,114
Other Instruction	12,738	9,257			21,995
Supporting Services:					
Pupils	173,950	18,156			192,106
Instructional Staff	216,050	11,795			227,845
Board of Education	43,161			804	43,965
Administration	485,213	11,999			497,212
Fiscal Services	212,636		11,562	1,083	225,281
Operation and Maintenance of Plant	382,893				382,893
Pupil Transportation	248,503			24,750	273,253
Central	13,800				13,800
Extracurricular Activities	150,093	98,114			248,207
Facilities Acquisition and Construction				812,843	812,843
Debt Service:					
Principal Retirement			185,000		185,000
Interest and Fiscal Charges			254,575		254,575
Total cash disbursements	<u>5,105,169</u>	<u>217,694</u>	<u>451,137</u>	<u>846,379</u>	<u>6,620,379</u>
Total cash receipts over/(under) cash disbursements	836,075	(26,131)	(34,182)	3,416,499	4,192,261
Other financing receipts/disbursements:					
Sale of Fixed Assets	1,525				1,525
Transfers-In		73,956		68,000	141,956
Transfers-Out	(141,956)				(141,956)
Advances-In	32,200				32,200
Advances-Out	(38,400)				(38,400)
Total other financing receipts/(disbursements)	<u>(146,631)</u>	<u>73,956</u>		<u>68,000</u>	<u>(4,675)</u>
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	689,444	47,825	(34,182)	3,484,499	4,187,586
Fund cash balances, July 1	<u>927,000</u>	<u>129,111</u>	<u>158,760</u>	<u>411,451</u>	<u>1,626,322</u>
Fund cash balances, June 30	<u>\$1,616,444</u>	<u>\$176,936</u>	<u>\$124,578</u>	<u>\$3,895,950</u>	<u>\$5,813,908</u>
Reserves for encumbrances, June 30	<u>\$47,253</u>	<u>\$6,671</u>		<u>\$474,226</u>	<u>\$528,150</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Trust	Agency	
Operating cash receipts:				
Food Services	\$170,018			\$170,018
Extracurricular Activities			\$158,280	158,280
Total operating cash receipts	170,018		158,280	328,298
Operating cash disbursements:				
Personal Services	83,941		2,459	86,400
Employees Retirement and Insurance	47,190		334	47,524
Purchased Services	2,433			2,433
Supplies and Materials	66,214		18	66,232
Capital Outlay	1,027			1,027
Other Operating Expenses	18,834	\$500	152,066	171,400
Total operating cash disbursements	219,639	500	154,877	375,016
Operating profit/(loss)	(49,621)	(500)	3,403	(46,718)
Non-operating cash receipts:				
Intergovernmental receipts	43,176			43,176
Earnings on Investments	40	1,768	2,079	3,887
Miscellaneous		2,945	286	3,231
Total non-operating cash receipts	43,216	4,713	2,365	50,294
Excess of receipts over/(under) disbursements before interfund advances	(6,405)	4,213	5,768	3,576
Advances-In	7,200			7,200
Advances-Out	(1,000)			(1,000)
Net receipts over/(under) disbursements	(205)	4,213	5,768	9,776
Fund cash balances, July 1	208	43,803	53,806	97,817
Fund cash balances, June 30	\$3	\$48,016	\$59,574	\$107,593
Reserve for encumbrances, June 30		\$500	\$10,719	\$11,219

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1902 through the consolidation of existing land areas and school districts. The District serves an area of approximately 39 square miles. It is located in Putnam County and includes the entire Village of Kalida, and all or portions of Greensburg, Jackson, Sugar Creek, Union, and Perry Townships. The District employs 25 non-certified and 49 certified (including administrative) full-time and part-time employees to provide services to approximately 635 students in grades K through 12 and various community groups. The District currently operates 1 elementary school and 1 middle/high school.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading.

NOTE 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 principles 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).

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

The District participates in three 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 15 to the financial statements provide additional information for these entities. These organizations are:

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Northwestern Ohio Educational Research Council, Inc.
Vantage Career Center

Public Entity Risk Pool:

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

B. 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 District functions or activities.

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 District are financed. The following are the District's governmental fund types:

General Fund – The General Fund is the operating fund of the 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 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 – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

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

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Enterprise Funds – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing 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.

FIDUCIARY FUND TYPES

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

C. Basis of Accounting

The District's financial statements are prepared using the regulatory basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this regulatory basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the fund level are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is included in the cash balances reported by fund type.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2009 and 2008, the District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2(a)7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009 and 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2009 was \$35,858 which included \$29,396 assigned from other District funds, and during fiscal year 2008 was \$75,865 which included \$49,931 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

The District's regulatory basis does not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

N. 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–type eliminations have not been made in the aggregation of this data.

NOTE 3 – COMPLIANCE

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

NOTE 4 - 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.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Deposits

Custodial credit risk 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 June 30, 2009, \$2,902,533 of the District's bank balance of \$3,652,533 and at June 30, 2008, \$393,701 of the District's bank balance of \$793,701 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

As of June 30, 2009 and 2008, the District had investments with STAR Ohio with a carrying balance of \$6,768,674 and \$5,255,359, respectively.

STAR Ohio carries a rating of AAAm by Standard and Poor's. The School 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.

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2009 and June 30, 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,499,569	\$6,062,436	\$562,867
Special Revenue	338,398	259,853	(78,545)
Debt Service	413,137	2,614,250	2,201,113
Capital Projects	5,370,200	8,903,742	3,533,542
Enterprise	250,000	236,243	(13,757)
Trust	3,700	2,446	(1,254)
Total	\$11,875,004	\$18,078,970	\$6,203,966

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,527,553	\$6,456,442	\$71,111
Special Revenue	341,512	249,097	92,415
Debt Service	534,854	449,235	85,619
Capital Projects	9,216,196	8,381,916	834,280
Enterprise	242,804	236,229	6,575
Trust	4,700	4,500	200
Total	\$16,867,619	\$15,777,419	\$1,090,200

**KALIDA LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 5 – BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,641,823	\$5,974,969	\$1,333,146
Special Revenue	286,120	265,519	(20,601)
Debt Service	405,198	416,955	11,757
Capital Projects	1,238,317	4,330,878	3,092,561
Enterprise	225,000	220,434	(4,566)
Trust	4,500	4,713	213
Total	<u>\$6,800,958</u>	<u>\$11,213,468</u>	<u>\$4,412,510</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,351,573	\$5,332,778	\$18,795
Special Revenue	395,178	224,365	170,813
Debt Service	551,576	451,137	100,439
Capital Projects	1,587,835	1,320,605	267,230
Enterprise	224,200	220,639	3,561
Trust	47,500	1,000	46,500
Total	<u>\$8,157,862</u>	<u>\$7,550,524</u>	<u>\$607,338</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar years 2009 and 2008 represent the collection of calendar years 2008 and 2007 taxes. Real property taxes received in calendar years 2009 and 2008 were levied after April 1, 2008 and 2007, on the assessed values as of January 1, 2008 and 2007, respectively, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar years 2009 and 2008 represent the collection of calendar years 2008 and 2007 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2009 and 2008 became a lien on December 31, 2007 and 2006, respectively, were levied after April 1, 2008 and 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 6 - PROPERTY TAXES (CONTINUED)

Tangible personal property tax receipts received in calendar years 2009 and 2008 (other than public utility property) represent the collection of calendar years 2009 and 2008 taxes, respectively. Tangible personal property taxes received in calendar years 2009 and 2008 were levied after April 1, 2008 and 2007, respectively, on the value as of December 31, 2008 and 2007, respectively. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 counties by June 30, 2009 and 2008 are available to finance fiscal years 2009 and 2008 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007		2008	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$56,262,400	88.22%	\$58,528,660	92.41%
Public Utility	3,062,120	4.80%	2,523,470	3.98%
Tangible Personal Property	4,451,210	6.98%	2,284,580	3.61%
Total Assessed Value	<u>\$63,775,730</u>	<u>100.00%</u>	<u>\$63,336,710</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	40.10	38.35
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The assessed values upon which fiscal year 2009 taxes were collected are:

	2008		2009	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$58,528,660	92.41%	\$66,025,640	96.06%
Public Utility	2,523,470	3.98%	2,631,640	3.83%
Tangible Personal Property	2,284,580	3.61%	78,140	0.11%
Total Assessed Value	<u>\$63,336,710</u>	<u>100.00%</u>	<u>\$68,735,420</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	38.35	34.85
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**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 7 - INCOME TAXES

The District levies a voted tax of 1% for general operations on the income of residents and of estates. The tax was effective on January 1, 2006, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

NOTE 8 - RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 75 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

- General liability
- Commercial liability
- Employee Benefits Liability
- School Leaders Errors and Omissions
- Theft, Forgery, Employee Dishonesty
- 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 \$35,116 in premiums to the pool for fiscal year 2009 coverage and the District paid \$32,839 in premiums to the pool for fiscal year 2008.

SORSA financial statements are available by contacting SORSA at:

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

B. Employee Medical Benefits

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington Bank. 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 years 2009 and 2008 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.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 8 - RISK MANAGEMENT (CONTINUED)

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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description-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 that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strs.org.

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 of 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. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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.

Funding Policy- For the fiscal years ended June 30, 2009 and 2008, 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 recommendation 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, 2009, 2008, and 2007, was \$366,995, \$347,467, and \$345,533, respectively; 84 percent of contributions have been paid for fiscal years 2009 and 100 percent for fiscal years 2007 and 2006.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. School Employees Retirement System

Plan Description - 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 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal years 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2008, 9.16 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$59,638, \$55,218, and \$58,929, respectively; 49 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

A. State Teachers Retirement System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System of Ohio or the School Retirement System. As of June 30, 2009 and 2008, three of the five Board of Education members have elected Social Security. The contribution rate is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description- The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy-Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal year ended June 30, 2009, 2008, and 2007 were \$28,230, \$26,728, and \$26,579 respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**KALIDA LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 10 - POSTEMPLOYMENT BENEFITS (CONTINUED)

B. School Employees Retirement System

Plan description- The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009 and 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$63,093, \$60,998, and \$54,119, respectively; 77.78 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$2,530, \$1,967, and \$1,910 respectively; 48.59 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 11 – DEBT

The changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Reductions	Principal Outstanding 6/30/08	Amounts Due in One Year
<u>General Obligation Bonds:</u>				
General Obligation bonds- 2003	\$6,234,995	\$185,000	\$6,049,995	\$72,977

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 11 – DEBT (CONTINUED)

The changes in the District’s long-term obligations during fiscal year 2009 were as follows:

	Principal Outstanding 6/30/08	Additions	Reductions	Principal Outstanding 6/30/09	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
General Obligation bonds-2003	\$6,049,995		\$72,977	\$5,977,018	\$62,018
General Obligation bonds-2009		\$2,182,830		2,182,830	
Total General Obligation Bonds	<u>\$6,049,995</u>	<u>\$2,182,830</u>	<u>\$72,977</u>	<u>\$8,159,848</u>	<u>\$62,018</u>

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.

School Facilities Construction and Improvement Bonds for the construction of an Elementary building were issued after approval by the electors of the District during fiscal year 2009 with final maturity in fiscal year 2014. The original amount of the bonds issued was \$2,182,830 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.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2009 are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$62,018	\$478,286	\$540,304
2011	531,078	330,002	861,080
2012	542,983	309,912	852,895
2013	560,025	288,907	848,932
2014	572,207	267,159	839,366
2015-2019	1,911,537	1,053,115	2,964,652
2020-2024	1,410,000	759,108	2,169,108
2025-2029	1,750,000	404,381	2,154,381
2030-2031	820,000	39,010	859,010
Total	<u>\$8,159,848</u>	<u>\$3,929,880</u>	<u>\$12,089,728</u>

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 11 – DEBT (CONTINUED)

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. However, the Ohio Revised Code also provides a school district may incur net indebtedness by the issuance of securities in accordance with the provisions of this chapter in excess of the limit specified in division (B) or (C) of this section when necessary to raise the school district portion of the basic project and any additional funds necessary to participate in a project under Chapter 3318 of the Revised Code, including the cost of items designated by the Ohio school facilities commission as required locally funded initiatives and the cost for site acquisition.

The District exceeded the voted debt margin by \$1,973,660 due to its participation in a project entered into under Chapter 3318 of the Ohio Revised Code. The District had an unvoted debt margin of \$68,735.

NOTE 12 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS

<u>Contractor</u>	<u>Project</u>	<u>Contract Balance 6/30/09</u>
Charles Construction	General Contractor	\$ 1,050,171
Fitzenrider Inc	Plumbing and HVAC	296,660
Logo Communications	Technology Equipment	231,629
Sollmann Electric	Electrical Work	182,958
Valley Electric	Educational Video Equipment	155,590
Continental Office Environment	Furniture	119,278
Tom Sexton and Associates	Visual Display	73,882
H&H Environmental	Asbestos Abatement	23,854
Vulcan Enterprises	Fire Protection	17,072
J&K Environmental	Asbestos Abatement	1,500

NOTE 13 - SET ASIDE REQUIREMENTS

The 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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization.

If the District has qualifying cash disbursements during the fiscal year that reduce the textbooks and capital improvements set aside amount to below zero, this amount may be used to reduce the set aside requirement in future fiscal years.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 13 - SET ASIDE REQUIREMENTS (CONTINUED)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Capital Improvements	Textbooks
Set-aside Reserve balance as of June 30, 2007	\$6,047	\$6,001
Current year set-aside requirements	100,382	100,382
Current Year off-sets	(66,430)	
Qualifying Disbursements	(61,649)	(131,830)
Total	(21,650)	(25,447)
Set-aside Reserve balance as of June 30, 2008	\$	\$(25,447)

The District has a qualifying permanent improvement levy that reduces the capital improvements set-aside required amount.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	Capital Improvements	Textbooks
Set-aside Reserve balance as of June 30, 2008		\$(25,447)
Current year set-aside requirements	\$102,285	102,285
Qualifying Disbursements	(83,823)	(110,493)
Total	18,462	(33,655)
Set-aside Reserve balance as of June 30, 2009	\$18,462	\$(33,655)

NOTE 14 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009 and 2008.

B. Litigation

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

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND JUNE 30, 2008
(Continued)**

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

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

B. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each participating districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information contact the Vantage Career Center, Lori Davis, Treasurer, 818 N. Franklin St., Van Wert, OH 45891-1304.

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representative from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

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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
P.O. Box 269
Kalida, Ohio 45853-0269

To the Board of Education:

We have audited the financial statements of Kalida Local School District, Putnam County, (the District) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 19, 2009, wherein we issued an adverse opinion on the District's financial statements because the District began preparing its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report in accordance with accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

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

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

November 19, 2009

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Finding

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

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

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

FINDING NUMBER 2009-002

Noncompliance Finding

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the treasurer is attached thereto. The treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and order for expenditures lacking prior certification shall be null and void.

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

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

Amounts of less than \$3,000 may be paid by the treasurer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Treasurer may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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

Thirty-two percent of the transactions tested were not certified by the Treasurer at the time the commitment was incurred. Certification is not only required by Ohio law, but is a key control in the disbursement process to help assure purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board.

To improve controls over disbursements, we recommend all Board Disbursements receive prior certification of the Treasurer and the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Treasurer, and recorded against appropriations.

Officials’ Response:

We received no response from Officials to the findings reported above.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code §117.38 reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2009-001.
2007-002	Monitoring financial statements- items were improperly classified.	Yes	

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Kalida Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on March 9, 2003.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family

Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

November 19, 2009



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
DECEMBER 10, 2009**