



Dave Yost • Auditor of State



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Kalida Local School District, Putnam County, Ohio (the District), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

***Basis for Adverse Opinion***

As described in Note 3 of the financial statements, the District prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material. In addition, during fiscal years 2015 and 2014, the District failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* as mandated by Auditor of State Bulletin 2011-004 for regulatory financial statements.

***Adverse Opinion***

In our opinion, because of the matters described in the *Basis for Adverse Opinion* paragraph, the 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, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 24, 2015

**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 FISCAL YEAR ENDED JUNE 30, 2015**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Cash receipts:</b>				
Property tax and other local taxes	\$1,626,288		\$377,323	\$2,003,611
Income Tax	2,210,890			2,210,890
Intergovernmental	2,849,327	\$143,222	58,865	3,051,414
Tuition and fees	295,369			295,369
Earnings on investments	7,015	92	305	\$468
Extracurricular Activities		137,685		137,685
Classroom Materials and Fees	39,523			39,523
Contributions and Donations	7,518	23,512		4,020
Miscellaneous	28,033			28,033
Total cash receipts	<u>7,063,963</u>	<u>304,511</u>	<u>436,493</u>	<u>7,809,455</u>
<b>Cash disbursements:</b>				
Instruction:				
Regular	2,972,516	19,497		1,979
Special	484,080	69,452		2,993,992
Vocational Education	82,785			553,532
Other Instruction	33,411			82,785
Supporting Services:				
Pupils	181,219			33,411
Instructional Staff	239,027	2,099		181,219
Board of Education	33,883			241,126
Administration	562,116	53,544		33,883
Fiscal Services	222,656		9,828	615,660
Operation and Maintenance of Plant	424,584	38,801		232,484
Pupil Transportation	181,335			463,385
Central	69,188			181,335
Extracurricular Activities	175,875	149,127		69,188
Facilities Acquisition and Construction				325,002
Debt Service:				
Principal Retirement			901,360	22,442
Bond Issuance Costs			117,843	22,442
Interest and Fiscal Charges			210,268	22,442
Total cash disbursements	<u>5,662,675</u>	<u>332,520</u>	<u>1,239,299</u>	<u>7,258,915</u>
Total cash receipts over/(under) cash disbursements	<u>1,401,288</u>	<u>(28,009)</u>	<u>(802,806)</u>	<u>(19,933)</u>
<b>Other financing receipts/(disbursements):</b>				
Transfers-In	175,000	91,529	395,162	68,000
Transfers-Out	(729,691)			729,691
Sale of Fixed Assets	100			100
General Obligation Bonds Issued			4,495,000	4,495,000
Premium on Debt Issue			261,016	261,016
Payment to Escrow Agent			(4,638,173)	(4,638,173)
Advances-In		3,266		3,266
Advances-Out	(3,266)			(3,266)
Other Financing Sources	13,132			13,132
Total other financing receipts/(disbursements)	<u>(544,725)</u>	<u>94,795</u>	<u>513,005</u>	<u>68,000</u>
Net Change in Fund Cash Balances	856,563	66,786	(289,801)	48,067
Fund cash balances, July 1	2,817,702	194,342	1,050,710	202,561
Fund cash balances, June 30	<u>\$3,674,265</u>	<u>\$261,128</u>	<u>\$760,909</u>	<u>\$250,628</u>
Reserves for encumbrances, June 30	<u>\$157,998</u>	<u>\$23,575</u>	<u>\$1,820</u>	<u>\$183,393</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 FISCAL YEAR ENDED JUNE 30, 2015**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Trust	Agency	
<b>Operating cash receipts:</b>				
Food Services	\$221,743			\$221,743
Extracurricular Activities			\$142,994	142,994
Total operating cash receipts	<u>221,743</u>		<u>142,994</u>	<u>364,737</u>
<b>Operating cash disbursements:</b>				
Personal Services	95,042		5,404	100,446
Employees Retirement and Insurance	49,783		805	50,588
Purchased Services	3,274		2,224	5,498
Supplies and Materials	106,434			106,434
Capital Outlay	210			210
Other Operating Expenses	8,196	\$7,500	133,594	149,290
Total operating cash disbursements	<u>262,939</u>	<u>7,500</u>	<u>142,027</u>	<u>412,466</u>
Operating income (loss)	<u>(41,196)</u>	<u>(7,500)</u>	<u>967</u>	<u>(47,729)</u>
<b>Non-operating cash receipts:</b>				
Intergovernmental receipts	54,614			54,614
Earnings on Investments	144	68	131	343
Donations		500	6,570	7,070
Miscellaneous			100	100
Refund of Prior Year Expenditures			148	148
Total non-operating cash receipts	<u>54,758</u>	<u>568</u>	<u>6,949</u>	<u>62,275</u>
Net Change in Fund Cash Balances	13,562	(6,932)	7,916	14,546
Fund cash balances, July 1	62,001	43,127	69,911	175,039
Fund cash balances, June 30	<u>\$75,563</u>	<u>\$36,195</u>	<u>\$77,827</u>	<u>\$189,585</u>
Reserves for encumbrances, June 30	<u>\$50</u>	<u>\$500</u>	<u>\$15,234</u>	<u>\$15,784</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 FISCAL YEAR ENDED JUNE 30, 2014**

	Governmental Fund Types			Capital Projects	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		
<b>Cash receipts:</b>					
Property tax and other local taxes	\$1,454,887		\$392,950		\$1,847,837
Income Tax	1,538,114				1,538,114
Intergovernmental	2,810,156	\$173,278	82,032		3,065,466
Tuition and fees	298,942				298,942
Earnings on investments	4,199	70	1,155	\$284	5,708
Extracurricular Activities	19,360	131,879			151,239
Classroom Materials and Fees	41,313				41,313
Contributions and Donations	8,539	14,850		37,500	60,889
Miscellaneous	29,438				29,438
Total cash receipts	<u>6,204,948</u>	<u>320,077</u>	<u>476,137</u>	<u>37,784</u>	<u>7,038,946</u>
<b>Cash disbursements:</b>					
Instruction:					
Regular	2,812,177	89,595			2,901,772
Special	380,505	93,723			474,228
Vocational Education	69,735				69,735
Other Instruction	22,835				22,835
Supporting Services:					
Pupils	203,277	10,878			214,155
Instructional Staff	204,469	6,402			210,871
Board of Education	36,435				36,435
Administration	538,008	16,603			554,611
Fiscal Services	212,356		11,343		223,699
Operation and Maintenance of Plant	386,654	60,840			447,494
Pupil Transportation	273,877	5,687			279,564
Central	64,019	1,500			65,519
Extracurricular Activities	160,637	121,174			281,811
Facilities Acquisition and Construction				50,516	50,516
Debt Service:					
Principal Retirement			601,207		601,207
Interest and Fiscal Charges			272,562		272,562
Total cash disbursements	<u>5,364,984</u>	<u>406,402</u>	<u>885,112</u>	<u>50,516</u>	<u>6,707,014</u>
Total cash receipts over/(under) cash disbursements	<u>839,964</u>	<u>(86,325)</u>	<u>(408,975)</u>	<u>(12,732)</u>	<u>331,932</u>
<b>Other financing receipts/(disbursements):</b>					
Transfers-In	77,800	59,154	70,000	68,000	274,954
Transfers-Out	(274,954)				(274,954)
Insurance Settlement				28,826	28,826
Sale of Fixed Assets	175				175
Advances-In	6,335				6,335
Advances-Out		(6,335)			(6,335)
Other Financing Sources	7,501	75			7,576
Total other financing receipts/(disbursements)	<u>(183,143)</u>	<u>52,894</u>	<u>70,000</u>	<u>96,826</u>	<u>36,577</u>
Net Change in Fund Cash Balances	656,821	(33,431)	(338,975)	84,094	368,509
Fund cash balances, July 1	2,160,881	227,773	1,389,685	118,467	3,896,806
Fund cash balances, June 30	<u>\$2,817,702</u>	<u>\$194,342</u>	<u>\$1,050,710</u>	<u>\$202,561</u>	<u>\$4,265,315</u>
Reserves for encumbrances, June 30	<u>\$87,260</u>	<u>\$20,691</u>	<u>\$4,855</u>		<u>\$112,806</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 FISCAL YEAR ENDED JUNE 30, 2014**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Trust	Agency	
<b>Operating cash receipts:</b>				
Food Services	\$215,802			\$215,802
Extracurricular Activities			\$127,368	127,368
Total operating cash receipts	<u>215,802</u>		<u>127,368</u>	<u>343,170</u>
<b>Operating cash disbursements:</b>				
Personal Services	77,600		5,433	83,033
Employees Retirement and Insurance	46,393		854	47,247
Purchased Services	2,943		1,823	4,766
Supplies and Materials	95,404			95,404
Capital Outlay	9,281			9,281
Other Operating Expenses	11,204	\$2,500	120,822	134,526
Total operating cash disbursements	<u>242,825</u>	<u>2,500</u>	<u>128,932</u>	<u>374,257</u>
Operating loss	<u>(27,023)</u>	<u>(2,500)</u>	<u>(1,564)</u>	<u>(31,087)</u>
<b>Non-operating cash receipts:</b>				
Intergovernmental receipts	53,165			53,165
Earnings on Investments	86	54	86	226
Refund of Prior Year Expenditures	199		4	203
Donations		1,614		1,614
Miscellaneous			5,087	5,087
Total non-operating cash receipts	<u>53,450</u>	<u>1,668</u>	<u>5,177</u>	<u>60,295</u>
Net Change in Fund Cash Balances	26,427	(832)	3,613	29,208
Fund cash balances, July 1	35,574	43,959	66,298	145,831
Fund cash balances, June 30	<u>\$62,001</u>	<u>\$43,127</u>	<u>\$69,911</u>	<u>\$175,039</u>
Reserves for encumbrances, June 30	<u>\$106</u>	<u>\$6,500</u>	<u>\$11,660</u>	<u>\$18,266</u>

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, 2015 AND 2014**

**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 45 certified (including administrative) and 23 non-certified full-time and part-time employees to provide services to approximately 632 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).

For fiscal years 2015 and 2014 the District did not modify its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type classifications. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

**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,

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)**

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 four 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:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative  
Northwestern Ohio Educational Research Council, Inc.  
Vantage Career Center  
State Support Team Region 1

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).

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)**

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.

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 cash 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 cash 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 function and object level within all funds 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, 2015 AND 2014  
(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 2015 and 2014, the District invested in nonnegotiable certificates of deposit, Certificates of Deposit Account Registry Services (CDARS), STAR Ohio and STAR Ohio PLUS. Investments are reported at cost, except for STAR Ohio and STAR Ohio PLUS. STAR Ohio and STAR Ohio PLUS are investment pools, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio and STAR Ohio PLUS are 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 and STAR Ohio PLUS are valued at their share price, which is the price the investment could be sold for on June 30, 2015 and 2014.

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 2015 was \$7,015 which included \$5,126 assigned from other District funds, and during fiscal year 2014 was \$4,199 which included \$3,551 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 cash 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, 2015 AND 2014  
(Continued)**

**L. Long-Term Obligations**

The District's cash 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. Lease payments are reported when paid.

**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.

**O. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 – ACCOUNTING AND COMPLIANCE**

**A 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 position/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.

**B Changes in Accounting Principles**

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about

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financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of 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.

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;

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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, 2015, \$222,159 of the District's bank balance of \$4,577,969 and at June 30, 2014 \$398,400 of the District's bank balance of \$2,699,730 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institutions 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.

Investments

As of June 30, 2015 and 2014, the District had investments with STAR Ohio with a carrying balance of \$186,813 and \$711,220, respectively.

STAR Ohio and STAR Ohio PLUS carry a rating of AAAM by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio and STAR Ohio PLUS maintain the highest rating provided by at least one nationally recognized standard rating service.

**NOTE 5 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending June 30, 2015 and June 30, 2014 follows:

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2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,485,475	\$7,252,195	(\$233,280)
Special Revenue	437,334	399,306	(38,028)
Debt Service	506,554	5,587,671	5,081,117
Capital Projects	85,000	72,488	(12,512)
Enterprise	301,000	276,501	(24,499)
Trust	3,000	568	(2,432)
Total	\$8,818,363	\$13,588,729	\$4,770,366

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,642,260	\$6,553,630	\$1,088,630
Special Revenue	554,926	356,095	198,831
Debt Service	6,049,016	5,877,472	171,544
Capital Projects	184,855	26,241	158,614
Enterprise	321,106	262,989	58,117
Trust	13,000	8,000	5,000
Total	\$14,765,163	\$13,084,427	\$1,680,736

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,372,473	\$6,296,759	(\$75,714)
Special Revenue	532,560	379,306	(153,254)
Debt Service	525,731	546,137	20,406
Capital Projects	107,000	134,610	27,610
Enterprise	352,000	269,252	(82,748)
Trust	4,500	1,668	(2,832)
Total	\$7,894,264	\$7,627,732	(\$266,532)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,276,950	\$5,727,198	\$549,752
Special Revenue	650,171	433,428	216,743
Debt Service	1,035,554	885,112	150,442
Capital Projects	200,410	55,371	145,039
Enterprise	357,000	242,931	114,069
Trust	13,000	9,000	4,000
Total	\$8,533,085	\$7,353,040	\$1,180,045

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Contrary to Ohio law, appropriations exceeded estimated resources in fiscal year 2015, and appropriations were not posted for the bond issue deemed appropriated in fiscal year 2015.

**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 2015 and 2014 represent the collection of calendar years 2014 and 2013 taxes. Real property taxes received in calendar years 2015 and 2014 were levied after April 1, 2014 and 2013, on the assessed values as of January 1, 2014 and 2013, 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 2015 and 2014 represent the collection of calendar years 2014 and 2013 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2014 and 2013 became a lien on December 31, 2013 and 2012, were levied after April 1, 2014 and 2013, 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.

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, 2015 and 2014 are available to finance fiscal year 2015 and 2014 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 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential and Other Real Estate	\$75,936,250	95.93%	\$89,984,480	94.39%
Public Utility Property	3,214,880	4.07%	5,348,460	5.61%
Total Assessed Value	<u>\$79,151,130</u>	<u>100.00%</u>	<u>\$95,332,940</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.95		\$32.60	

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent

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Real Property:				
Agricultural/Residential and Other Real Estate	\$74,947,640	95.90%	\$75,936,250	95.93%
Public Utility Property	3,207,760	4.10%	3,214,880	4.07%
Total Assessed Value	\$78,155,400	100.00%	\$79,151,130	100.00%
Tax rate per \$1,000 of assessed valuation	\$33.95		\$33.95	

**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. Schools of Ohio Risk Sharing Authority**

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 90 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 \$44,736 in premiums to the pool for fiscal year 2015 coverage and the District paid \$40,595 in premiums to the pool for fiscal year 2014 coverage.

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. Putnam County School Insurance Group**

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

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Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 10. As such, no funding provisions are required by the District.

**C. Ohio School Boards Association Workers' Compensation Group Rating Program**

The District participates in the Ohio School Board Association's Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for processing, analysis and management of worker's 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. The GRP's business and affairs are conducted by a 25 member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities

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within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – the District’s non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$101,671 and \$93,199 for fiscal years 2015 and 2014, respectively.

**Plan Description - State Teachers Retirement System (STRS)**

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Plan Description – the District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888)227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required

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to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$369,365 and \$357,048 for fiscal years 2015 and 2014, respectively.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,163,359	\$5,859,578	\$7,022,937
Proportion of the Net Pension Liability	0.0222987%	0.0240902%	

**Actuarial Assumptions – SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$1,659,768	\$1,163,359	\$745,836

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**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternative	14.00	8.00
Fixed Income	18.00	3.75
Real Assets	10.00	6.75
Liquidity Reserves	1.00	3.00
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)**

***Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$8,388,624	\$5,859,578	\$3,720,855

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2015, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**NOTE 10 – POSTEMPLOYMENT BENEFITS**

***School Employees Retirement System***

**Health Care Plan Description** - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$11,507.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)**

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, 2013 and 2012 were \$12,525, \$11,878, \$12,976, and \$12,380 respectively. For fiscal year 2015, 95.47 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014, 2013, and 2012.

**State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, 2013 and 2012 were \$0, \$25,503, \$25,625, and \$27,638 respectively. The full amount has been contributed for fiscal years 2015, 2014, 2013, and 2012.

**NOTE 11 – DEBT**

The changes in the District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Reductions	Principal Outstanding 6/30/14	Amounts Due in One Year
<b>General Obligation Bonds:</b>				
General obligation bonds-2003	\$5,340,000	\$205,000	\$5,135,000	\$215,000
Capital appreciation bonds-2009	1,123,744	367,207	756,537	374,533
OASBO Lease Program	425,000	29,000	396,000	30,000
<b>Total General Obligation Bonds</b>	<b>\$6,888,744</b>	<b>\$601,207</b>	<b>\$6,287,537</b>	<b>\$619,533</b>

The changes in the District's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/14	Additions	Reductions	Principal Outstanding 6/30/15	Amounts Due in One Year
<b>General Obligation Bonds:</b>					
General obligation bonds-2003	\$5,135,000		\$5,135,000		
Capital appreciation bonds - 2009	756,537		374,533	\$382,004	\$382,004
General obligation bonds - 2014		\$4,495,000		4,495,000	230,000
OASBO Lease Program	396,000		30,000	366,000	31,000

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)**

	Principal Outstanding 6/30/14	Additions	Reductions	Principal Outstanding 6/30/15	Amounts Due in One Year
Total General Obligation Bonds	<u>\$6,287,537</u>	<u>\$4,495,000</u>	<u>\$5,539,533</u>	<u>\$5,243,004</u>	<u>\$643,004</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. During fiscal year 2015 the entire outstanding balance of the bonds was advance refunded in the amount of \$5,135,000. 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 2016. 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.

General Obligation Advance Refunding Bonds issued in 2014 were used for the purpose of advance refunding of the School Facilities Construction and Improvement bonds issued during 2003. The 2014 advance refunding bonds issued in total of \$4,495,000 consisted of current interest serial bonds. This refunding was undertaken to reduce total debt service payments over the next 16 years by \$837,557, and resulted in an economic gain of \$654,692.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2015 are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$612,004	\$141,346	\$753,350
2017	235,000	130,238	365,238
2018	250,000	126,600	376,600
2019	250,000	122,850	372,850
2020	250,000	117,225	367,225
2021-2025	1,345,000	480,188	1,825,188
2026-2030	1,580,000	230,375	1,810,375
2031	355,000	7,100	362,100
Total	<u>\$4,877,004</u>	<u>\$1,355,922</u>	<u>\$6,232,926</u>

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.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)**

The effects of these debt limitations at June 30, 2015 are a voted debt margin of \$3,702,961 and an unvoted debt margin of \$95,333.

**NOTE 12 – LEASES**

The District entered into a lease-purchase agreement, through the Ohio Association of School Business Officials Expanded Asset Pooled Financing Program, to supplement the local cost of an amendment to the new school construction with the Ohio School Facilities Commission. Lease payments are reflected as debt service expenditures on the financial statements. Assets were acquired by the lease in the amount of \$595,000, during 2011. Principal payment in fiscal year 2015 was \$30,000 and in 2014 was \$29,000.

Principal and interest requirements to retire lease-purchase commitments outstanding at June 30, 2015, were as follows:

Year Ended	OASBO Lease		
	Principal	Interest	Total
2016	\$31,000	\$12,267	\$43,267
2017	32,000	11,165	43,165
2018	33,000	10,027	43,027
2019	35,000	8,838	43,838
2020	36,000	7,595	43,595
2021-2025	199,000	17,938	216,938
Total	\$366,000	\$67,830	\$433,830

**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 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.

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2014.

	Capital Improvement
Balance June 30, 2013	
Current Year Set Aside Requirement	\$104,576
Current Year Offsets	(104,576)
Set Aside Reserve Balance June 30, 2014	

The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2015.

Capital

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)**

	Improvement
Balance June 30, 2014	
Current Year Set Aside Requirement	\$105,859
Current Year Offsets	(105,859)
Set Aside Reserve Balance June 30, 2015	-----

The District had current year offsets during the fiscal year that reduced the capital improvements set aside amount to below zero. However, this amount cannot be carried forward to reduce future set aside requirements, and therefore is not reflected in this schedule.

**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 are 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, 2015 and 2014.

**B. Litigation**

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

**C. School Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**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

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)**

agent school district. Financial information can be obtained from Ray Burden, 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, Laura Peters, Treasurer, 818 N. Franklin St., Van Wert, Ohio 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 district, and five city school districts, as well as representatives 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. at Box 456, Ashland, Ohio 44805.

**D. State Support Team Region 1**

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The Lucas County Educational Service Center is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at [www.sstr1.org](http://www.sstr1.org).

**NOTE 16 – INTERFUND TRANSFERS**

During 2015 the following transfers were made:

		Transfers Out
		General
Transfers In	General	\$175,000
	Special Revenue	91,529
	Debt Service	395,162
	Capital Projects	68,000
	Total	\$729,691

During 2014 the following transfers were made:

		Transfers Out
T		

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)**

	<u>General</u>
General	\$77,800
Special Revenue	59,154
Debt Service	70,000
Capital Projects	<u>68,000</u>
Total	<u>\$274,954</u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Kalida Local School District, Putnam County, Ohio (the District) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated November 24, 2015, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America and wherein we noted the District did not adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-004 to be material weaknesses.

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Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484  
[www.ohioauditor.gov](http://www.ohioauditor.gov)

***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, opining 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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-003.

***Entity's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 24, 2015

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. 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 Admin. Code § 117-2-03(B)**, which further clarifies the requirements of Ohio Rev. Code § 117.38, requires school districts to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

The District lacks a GASB 34 policy and therefore 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. In addition, we recommend the Board adopt a GASB 34 policy.

**Officials' Response:**

The District has evaluated the cost benefit relationship of preparing Generally Accepted Accounting Principles statements and determined the significant cost of compliance far exceeds the benefit received, therefore, believes the decision to prepare cash basis statements is in the best interest of the District.

**FINDING NUMBER 2015-002**

**Material Weakness**

**Implementation of GASB 54**

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints imposed upon the use of its governmental-fund resources. Those classifications include: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

The District failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the years ended June 30, 2015 and 2014 as mandated by the Auditor of State Bulletin 2011-004 for regulatory basis financial statements.

By not implementing GASB No. 54 the District is not fully disclosing the manner in which fund balances are restricted. Noncompliance due to a lack of a GASB 54 policy could also affect the classification of funds and increases the risk fund balances may be improperly spent.

We recommend the District adopt the provisions of GASB No. 54 as specified in Auditor of State Bulletin 2011-004.

**Officials' Response:**

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

**FINDING NUMBER 2015-003**

**Noncompliance Citation and Material Weakness**

**Recording and Budgeting the Issuance of Bonds**

Sound accounting practices require debt transactions to be posted to the District's ledgers. Furthermore, **Ohio Rev. Code § 5705.41(A)** provides the authorization of a bond issue is deemed an appropriation of the bond proceeds for the purpose for which the bonds were issued, eliminating the need for the Board to approve a formal appropriation for these monies, however, this section does require the Treasurer to record the appropriation.

In addition, **Ohio Rev. Code § 5705.39** provides in part that total appropriations from each fund shall not exceed the total estimated resources.

In fiscal year 2015 the District issued bonds in the amount of \$4,495,000 with a \$261,016 premium and \$117,843 of issuance cost to advance refund previously issued general obligation bonds of \$4,638,173. The Treasurer did not record this activity in the accounting system. In addition, appropriations for this activity were not recorded. Since the District is required to record the appropriation they should also request the amount be included on the certificate of estimated resources received from the county budget commission to enhance the District's monitoring of financial activity. The failure to amend the certificate of estimated resources resulted in appropriations exceeding estimated resources in the Debt Service Fund in fiscal year 2015 by \$4,491,752. These errors were not identified and corrected prior to the audit due to deficiencies in the District's financial statement monitoring. The accompanying financial statements and notes to the financial statements were adjusted to reflect the amounts in the Debt Service Fund in fiscal year 2015.

To account for the appropriations for bond issuance monies, we recommend the Treasurer record the appropriation on the appropriations ledger and request the amount be included on the certificate of estimated resources. Furthermore, the Board should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board, to identify and correct errors and omissions.

**Officials' Response:**

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

**FINDING NUMBER 2015-004**

**Material Weakness**

**Monitoring of Financial Statements**

Accurate financial reporting is the responsibility of the Treasurer and Board of Education, and is essential to ensure the information provided to the readers of the financial statements accurately reflects the District's activity.

Insurance settlement monies for wind damage in the Capital Project Fund in the amount of \$28,826 were incorrectly posted as a donation in fiscal year 2014.

The District lacked a policy regarding financial review which contributed to this material posting error, occurring without detection. Adjusting entries were posted to the financial statements to correct this error.

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

**Officials' Response:**

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

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as finding 2015-001.
2013-002	Material weakness for not adopting the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.	No	Finding has not been corrected and is repeated in this report as finding 2015-002.
2013-003	Material weakness on reporting and budgeting of Ohio Department of Education Grants.	Yes	



# Dave Yost • 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 15, 2015**