



**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental and Similar Fiduciary Fund Types	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Basis) – All Governmental and Similar Fiduciary Fund Types	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity – All Proprietary Fund Types	14
Combined Statement of Cash Flows – All Proprietary Fund Types	15
Notes to the General-Purpose Financial Statements	17
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	41

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Kalida Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kalida Local School District, Putnam County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 21, 2001

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**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$807,426	\$74,524	\$2,034	\$113,591
Cash and cash equivalents with fiscal agent		1,284		
Investments in segregated accounts	1,300			
Receivables				
Taxes - current and delinquent	1,343,984			57,879
Accounts	1,845	282		
Intergovernmental	55,001	1,602		
Accrued Interest	1,400			
Interfund receivable	362			
Inventory held for resale				
Prepaid Items	8,012			
Restricted assets:				
Equity in pooled cash and cash equivalents	127,482			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	\$2,346,812	\$77,692	\$2,034	\$171,470

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$17,950	\$8,417	\$110,191			\$1,134,133
					1,284
					1,300
					1,401,863
	126	68			2,321
					56,603
					1,400
					362
4,578					4,578
					8,012
					127,482
17,802			\$3,693,440		3,711,242
				\$2,034	2,034
				312,693	312,693
\$40,330	\$8,543	\$110,259	\$3,693,440	\$314,727	\$6,765,307

(Continued)

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$7,158	\$5,365		
Accrued wages and benefits	333,226	4,674		
Compensated absences payable	12,632			
Interfund payable		243		
Intergovernmental Payable	101,837	1,303		
Deferred revenue	1,237,550			\$53,134
Undistributed Monies				
Due to students				
Notes Payable				
Claims payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,692,403	11,585		53,134
Equity and other credits:				
Investment in general fixed assets				
Contributed Capital				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	28,579	6,974		11,140
Reserved for debt service			\$2,034	
Reserved for property taxes	106,434			4,745
Reserved for instructional materials	52,109			
Reserved for capital improvements	1,352			
Reserved for budget stabilization	73,887			
Reserved for bus purchases	134			
Unreserved-undesignated	391,914	59,133		102,451
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity and other credits	654,409	66,107	2,034	118,336
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, equity and other credits	\$2,346,812	\$77,692	\$2,034	\$171,470

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
	\$223	\$18			\$12,764
\$9,227	217				347,344
2,584				\$264,619	279,835
		119			362
10,696	47	6		28,818	142,707
1,973					1,292,657
		18,898			18,898
		50,076			50,076
				21,290	21,290
	399				399
24,480	886	69,117		314,727	2,166,332
			\$3,693,440		3,693,440
8,136					8,136
7,714	7,657				15,371
					46,693
					2,034
					111,179
					52,109
					1,352
					73,887
					134
		41,142			594,640
15,850	7,657	41,142	3,693,440		4,598,975
\$40,330	\$8,543	\$110,259	\$3,693,440	\$314,727	\$6,765,307

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Taxes	\$1,359,960	
Intergovernmental	2,570,128	\$100,078
Earnings on investments	62,694	3,090
Tuition and fees	103,270	
Rent	190	
Extracurricular activities		97,287
Gifts and donations	16,159	
Miscellaneous	17,941	
Total revenue	4,130,342	200,455
Expenditures:		
Instruction:		
Regular	2,099,491	31,900
Special	198,696	54,527
Vocational	107,169	1,373
Adult/Continuing	7,070	
Support services:		
Pupil	184,100	11,793
Instructional staff	149,991	15,510
Board of Education	12,966	769
Administration	343,497	16,596
Fiscal	135,430	14
Operations and maintenance	328,120	
Pupil transportation	195,306	
Central	2	
Non-Instructional services		
Extracurricular activities	111,900	91,424
Capital Outlay		
Debt service:		
Principal retirement		
Total expenditures	3,873,738	223,906
Excess of revenues over (under) expenditures	256,604	(23,451)
Other financing sources (uses):		
Operating transfers in		8,498
Proceeds from sale of fixed assets	100	
Other sources		3,995
Operating transfers out	(8,548)	
Increase in fair value of investments	300	
Total other financing sources (uses)	(8,148)	12,493
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	248,456	(10,958)
Fund balance, July 1	405,953	77,065
Fund balance, June 30	\$654,409	\$66,107

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$5,000	\$58,799		\$1,423,759
	63,379		2,733,585
	5,750	\$2,326	73,860
			103,270
			190
			97,287
			16,159
			17,941
<u>5,000</u>	<u>127,928</u>	<u>2,326</u>	<u>4,466,051</u>
	66,793		2,198,184
			253,223
			108,542
			7,070
			195,893
	14,495		179,996
			13,735
			360,093
	1,611		137,055
			328,120
	22,185		217,491
			2
		898	898
			203,324
	23,513		23,513
<u>5,000</u>			<u>5,000</u>
<u>5,000</u>	<u>128,597</u>	<u>898</u>	<u>4,232,139</u>
	(669)	1,428	233,912
			8,498
			100
			3,995
			(8,548)
			300
			4,345
	(669)	1,428	238,257
2,034	119,005	39,714	643,771
<u>\$2,034</u>	<u>\$118,336</u>	<u>\$41,142</u>	<u>\$882,028</u>

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL COMPARISON (NON-GAAP BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Intergovernmental	\$2,593,513	\$2,515,828	(\$77,685)
Earnings on investments	50,000	62,669	12,669
Tuition and fees	25,000	103,270	78,270
Rent		190	190
Extracurricular activities			
Gifts and donations	12,000	16,159	4,159
Taxes	1,440,622	1,330,639	(109,983)
Miscellaneous	1,008	16,362	15,354
Total revenues	4,122,143	4,045,117	(77,026)
Expenditures:			
Instruction:			
Regular	2,339,779	2,097,181	242,598
Special	105,085	199,138	(94,053)
Vocational	125,921	110,293	15,628
Other	100	7,062	(6,962)
Support services:			
Pupil	182,480	181,284	1,196
Instructional staff	181,664	148,489	33,175
Board of Education	18,860	13,722	5,138
Administration	400,200	339,660	60,540
Fiscal	148,575	133,473	15,102
Operations and maintenance	331,344	334,105	(2,761)
Pupil transportation	281,854	206,066	75,788
Central	550	1	549
Non-instructional services			
Extracurricular activities	120,970	111,654	9,316
Capital outlay			
Debt service:			
Principal retirement			
Total expenditures	4,237,382	3,882,128	355,254
Excess of revenues over (under) expenditures	(115,239)	162,989	278,228
Other financing sources (uses):			
Operating transfers in			
Proceeds from sale of fixed assets		100	100
Advances in		15,000	15,000
Operating transfers out	(15,000)	(8,548)	6,452
Advances out	(8,910)	(15,362)	(6,452)
Total other financing sources (uses)	(23,910)	(8,810)	15,100
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(139,149)	154,179	293,328
Fund balances, July 1	724,548	724,548	
Prior year encumbrances appropriated	21,685	21,685	
Fund balances, June 30	\$607,084	\$900,412	\$293,328

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$71,607	\$62,063	(\$9,544)			
1,500	3,090	1,590			
91,950	97,387	5,437			
	3,995	3,995	\$5,000	\$5,000	
165,057	166,535	1,478	5,000	5,000	
45,541	31,973	13,568			
23,424	17,589	5,835			
4,000	1,373	2,627			
11,925	11,397	528			
17,637	13,797	3,840			
797	769	28			
31,412	17,771	13,641			
75	14	61			
105,739	92,809	12,930			
			5,000	5,000	
240,550	187,492	53,058	5,000	5,000	
(75,493)	(20,957)	54,536			
8,000	8,498	498			
238	243	5			
8,238	8,741	503			
(67,255)	(12,216)	55,039			
70,016	70,016		2,034	2,034	
9,265	9,265				
\$12,026	\$67,065	\$55,039	\$2,034	\$2,034	

(Continued)

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL COMPARISON (NON-GAAP BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget Revised	Actual	
Revenues:			
Intergovernmental	\$53,000	\$63,379	\$10,379
Earnings on investments	2,500	5,750	3,250
Tuition and fees			
Rent			
Extracurricular activities			
Gifts and donations			
Taxes	61,630	57,333	(4,297)
Miscellaneous			
Total revenues	117,130	126,462	9,332
Expenditures:			
Instruction:			
Regular	74,081	72,347	1,734
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff	20,006	14,495	5,511
Board of Education			
Administration			
Fiscal	5,000	1,611	3,389
Operations and maintenance			
Pupil transportation	27,000	22,185	4,815
Central			
Non-instructional services			
Extracurricular activities			
Capital outlay	70,636	33,162	37,474
Debt service:			
Principal retirement			
Total expenditures	196,723	143,800	52,923
Excess of revenues over (under) expenditures	(79,593)	(17,338)	62,255
Other financing sources (uses):			
Operating transfers in			
Proceeds from sale of fixed assets			
Advances in			
Operating transfers out			
Advances out			
Total other financing sources (uses)			
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	(79,593)	(17,338)	62,255
Fund balances, July 1	96,256	96,256	
Prior year encumbrances appropriated	23,534	23,534	
Fund balances, June 30	\$40,197	\$102,452	\$62,255

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

Expendable Trust			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$3,500	\$2,326	(\$1,174)	\$2,718,120	\$2,641,270	(\$76,850)
			57,500	73,835	16,335
			25,000	103,270	78,270
				190	190
			91,950	97,387	5,437
			12,000	16,159	4,159
			1,507,252	1,392,972	(114,280)
			1,008	20,357	19,349
<u>3,500</u>	<u>2,326</u>	<u>(1,174)</u>	<u>4,412,830</u>	<u>4,345,440</u>	<u>(67,390)</u>
			2,459,401	2,201,501	257,900
			128,509	216,727	(88,218)
			129,921	111,666	18,255
			100	7,062	(6,962)
			194,405	192,681	1,724
			219,307	176,781	42,526
			19,657	14,491	5,166
			431,612	357,431	74,181
			153,650	135,098	18,552
			331,344	334,105	(2,761)
			308,854	228,251	80,603
			550	1	549
4,397	898	3,499	4,397	898	3,499
			226,709	204,463	22,246
			70,636	33,162	37,474
			<u>5,000</u>	<u>5,000</u>	
<u>4,397</u>	<u>898</u>	<u>3,499</u>	<u>4,684,052</u>	<u>4,219,318</u>	<u>464,734</u>
<u>(897)</u>	<u>1,428</u>	<u>2,325</u>	<u>(271,222)</u>	<u>126,122</u>	<u>397,344</u>
			8,000	8,498	498
			0	100	100
			238	15,243	15,005
			(15,000)	(8,548)	6,452
			(8,910)	(15,362)	(6,452)
			<u>(15,672)</u>	<u>(69)</u>	<u>15,603</u>
(897)	1,428	2,325	(286,894)	126,053	412,947
38,817	38,817		931,671	931,671	
897	897		55,381	55,381	
<u>\$38,817</u>	<u>\$41,142</u>	<u>\$2,325</u>	<u>\$700,158</u>	<u>\$1,113,105</u>	<u>\$412,947</u>

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Sales	\$197,322		\$197,322
Operating expenses:			
Salaries	69,750	\$1,925	71,675
Fringe Benefits	36,529	3,318	39,847
Purchased services	705		705
Cost of sales	121,166		121,166
Depreciation	1,401		1,401
Other operating expenses	213		213
Total operating expenses	229,764	5,243	235,007
Operating loss	(32,442)	(5,243)	(37,685)
Nonoperating revenues and expenses:			
Federal commodities	18,577		18,577
Interest revenue	790		790
Intergovernmental	21,770		21,770
Total nonoperating revenues	41,137		41,137
Net income (loss)	8,695	(5,243)	3,452
Retained earnings July 1	(981)	12,900	11,919
Retained earnings June 30	7,714	7,657	15,371
Contributed capital at beginning and end of year	8,136		8,136
Fund Equity June 30	\$15,850	\$7,657	\$23,507

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

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from customers	\$197,322	\$1,050	\$198,372
Cash payments to suppliers for goods and services	(105,668)		(105,668)
Cash payments to employees for services	(72,171)	(1,895)	(74,066)
Cash payments for employee benefits	(36,529)	(3,673)	(40,202)
Cash payments for other expenses	(214)		(214)
	<u>(17,260)</u>	<u>(4,518)</u>	<u>(21,778)</u>
Net cash used by operating activities			
Cash flows from noncapital financing activities:			
Cash received from operating grants	21,770		21,770
	<u>21,770</u>		<u>21,770</u>
Cash flows from investing activities:			
Interest received	790		790
	<u>790</u>		<u>790</u>
Net increase/(decrease) in cash and cash equivalents	5,300	(4,518)	782
Cash and cash equivalents at beginning of year	12,650	12,935	25,585
	<u>12,650</u>	<u>12,935</u>	<u>25,585</u>
Cash and cash equivalents at end of year	<u>\$17,950</u>	<u>\$8,417</u>	<u>\$26,367</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	(\$32,442)	(\$5,243)	(\$37,685)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	1,401		1,401
Federal donated commodities	18,577		18,577
Changes in assets and liabilities:			
Decrease in accounts receivable		2,028	2,028
Increase in inventory held for resale	(646)		(646)
Decrease in accounts payable	(503)	(387)	(890)
Increase/(decrease) in accrued wages	(865)	20	(845)
Decrease in compensated absences payable	(1,559)		(1,559)
Increase/(decrease) in intergovernmental payable	(1,556)	8	(1,548)
Decrease in claims payable		(944)	(944)
Increase in deferred revenue	333		333
	<u>333</u>		<u>333</u>
Net cash used by operating activities	<u>(\$17,260)</u>	<u>(\$4,518)</u>	<u>(\$21,778)</u>

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

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**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF SCHOOL DISTRICT

Kalida Local School District, Putnam County, (the School District) organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. It is a body politic and corporate, established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by § 3311.03 of the Ohio Revised Code and operates under a locally-elected Board of Education (5 members) elected at-large for staggered four (4) year terms and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) during the first full week in October of 2000 was 746.14. The District employed 5 F.T.E. administrative personnel, 50.18 F.T.E. certificated employees and 23.73 F.T.E. non-certificated employees. Local school districts are supervised by the county board of education, a separate entity.

2. REPORTING ENTITY

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board, and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Kalida Local School District.

The School District is associated with two organizations that are defined as jointly governed organizations and two that are defined as insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, the Putnam County School Insurance Group, and the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (GRP). These organizations are presented in Notes 18 and 19 to the general-purpose financial-statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Kalida Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

A. Basis of Presentation - Fund Accounting

The financial transactions of the District are recorded in individual funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable financial resources.

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

Governmental Fund Types: Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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 or trust funds).

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

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Fiduciary Fund Types: Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

Account Groups: To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, nonexpendable trust funds and agency funds. The full accrual basis of accounting is followed by the enterprise fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized on the modified accrual basis in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, taxpayer-assessed income taxes, grants, interest, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue on the modified accrual basis.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The proprietary fund types utilize the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All governmental fund types, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund. Any budgetary modifications at this level may only be made by resolutions of the Board of Education.

The Title VI-B Preschool and Title VI-B School Age special revenue funds are flow through grants in which the Putnam County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted, and the School District does not maintain separate budgetary records.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if the School District Treasurer identifies projected increases or decreases in revenue. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund-object level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter object appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted; however, none of these amendments were significant.

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to STAR Ohio (the State Treasurer's Asset Reserve investment pool), certificates of deposit, and local phone company stock.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$62,694 that included \$1,817 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of six months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than six months are reported as investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts set aside to create a reserve for budget stabilization, capital improvements, instructional materials and bus purchases.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a policy of not capitalizing assets with a cost of less than three hundred dollars (\$300.00).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Depreciation is not recognized for assets in the general fixed asset account group. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life ranging from five to twenty years.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase

Non-Reimbursable Grants

Special Revenue Funds

- Teacher Development Grant
- Education Management Information Systems
- Technology Equity Grant
- Special Grants to States (formally Title VI-B)
- Title I
- Innovative Education Program Strategies (Title II)
- OhioReads Grant
- Title VI-R Grant
- Continuous Improvement Development Grant

Capital Projects Funds

- School Net Plus
- Instructional Video Distance Learning Program
- Tech Equity Grants

Reimbursable Grants

General Fund

Proprietary Funds

- National School Lunch Program
- Special Milk Program
- Government Donated Commodities

Grant entitlements amounted to approximately \$2,733,932 of the School Districts operating revenues during the fiscal year 2001 for all governmental funds.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension obligations, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise fund that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at fiscal year end.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

Because the School District did not prepare financial statements in accordance with general accepted accounting principles prior to fiscal year 1994, the exact amount on contributed capital cannot be determined. Consequently, only amounts specifically identified are being classified as contributed capital in the accompanying combined financial statements.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, debt service, budget stabilization, capital improvements, instructional materials, bus purchases, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

4. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual-All Governmental Fund Types and the Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For Proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis.)
5. Although not part of the appropriated budget, the VI-B Preschool special revenue fund is included as part of the reporting entity when preparing financial statements that conforms to GAAP.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Capital Projects
Budget Basis	\$154,179	\$(12,216)	\$(17,338)
Revenue Accruals	70,525	37,672	1,466
Expenditure Accruals	(10,743)	(43,874)	4,063
Encumbrances	34,495	7,460	11,140
GAAP Basis	<u>\$248,456</u>	<u>\$(10,958)</u>	<u>\$(669)</u>

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time (if the school treasurer has received the necessary training); and
8. If the district has complied with § 135.142 (E) of the Revised Code and under other limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

At year end, the School District had \$104 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

At year-end, the School District had \$1,284 held by the Putnam County Educational Service Center. This amount is included on the balance sheet as "Cash with Fiscal Agent".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits:

At fiscal year end, the carrying amount of the School District's deposits was \$527,771 and the bank balance was \$642,086. Of the bank balance, \$200,000 was covered by federal depository insurance and the remaining balance was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments:

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered, or for which the securities are held by the School District, or its agent, in the School District's name. Category 2 includes uninsured and unregistered investments that are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

The District held stock, which is a Category 1 investment. As of June 30, 2001, the carrying amount and market value of the stock was \$1,300.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

The District's investments as of June 30, 2001 are categorized below:

	<u>Category</u>	<u>Carrying Amount</u>	<u>Market Amount</u>
STAR Ohio	Unclassified	\$733,740	\$733,740
Stock	1	1,300	1,300
Total Investments		<u>\$735,040</u>	<u>\$735,040</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$1,262,899	\$1,300
Less: Amounts on deposit at the Educational Service Center	(1,284)	
Cash on Hand	(104)	
Investments:		
Star Ohio	<u>(733,740)</u>	<u>733,740</u>
GASB Statement 3	<u>\$527,771</u>	<u>\$735,040</u>

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the liens date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is revalued every six years as required. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

The School District receives property taxes from Putnam County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001 are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance and recognized as revenue at June 30, 2001, was \$111,179, \$106,434 to the General Fund and \$4,745 to the Permanent Improvement Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	<u>2000 Second Half Collections</u>		<u>2001 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$42,346,360	79.09%	\$44,334,150	78.53%
Public Utility	4,024,890	7.52%	4,158,530	7.37%
Tangible Personal Property	7,172,254	13.4%	7,958,017	14.10%
Total Assessed Value	<u>\$53,543,504</u>	<u>100.00%</u>	<u>\$56,450,697</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$34.60		\$34.60	

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$86,629
Less Accumulated Depreciation	<u>(68,827)</u>
Net Fixed Assets	<u>\$17,802</u>

A summary of the changes in general fixed assets during fiscal year 2001, follows:

	<u>Balance 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/01</u>
Land	\$40,880	\$19,757		\$60,637
Land Improvements	48,126			48,126
Buildings	1,592,038			1,592,038
Furniture and Equipment	1,274,454	96,686	\$17,338	1,353,802
Vehicles	306,248	55,485	17,896	343,837
Musical Instruments	76,000			76,000
Sheet Music	25,000			25,000
Uniforms	39,000			39,000
Library Books	80,000			80,000
Textbooks	75,000			75,000
Total General Fixed Assets	<u>\$3,556,746</u>	<u>\$171,928</u>	<u>\$35,234</u>	<u>\$3,693,440</u>

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. RECEIVABLES

Receivables, at June 30, 2001, consisted of taxes, interest, accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

10. RISK MANAGEMENT

A. Property and Liability Insurance

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

During fiscal year 2001, the District contracted with the Nationwide Agribusiness through Harcum-Hyre Insurance Company for property, boiler and machinery and general liability insurance.

Professional Liability is protected by the Nationwide Agribusiness Insurance Company with \$2,000,000 each occurrence, \$5,000,000 aggregate limit. The district also is protected with a \$1,000,000 umbrella policy.

B. Fleet Insurance

During fiscal year 2001, the District contracted with the Nationwide Agribusiness through Harcum-Hyre Insurance Company for vehicle insurance, holding a \$100 deductible for comprehensive and collision insurance. Automobile liability has a \$2,000,000 combined single limit of liability.

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

C. Workers' Compensation Group Rating Program

The School District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool (Note 19). The Plan 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

D. Putnam County Schools Insurance Group

Effective January 1, 1992, the School District joined together with school districts and other entities to form the Putnam County Schools Insurance Group (PCSIG), a public entity risk pool (Note 19) that operated as a common risk management and insurance program for 11 member entities.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

The PCSIG provides employee health care benefits to all participants under a fully insured comprehensive premium policy. The School District pays 100% of its monthly premium to the designated health insurance carrier and nothing to the PCSIG. The designated health insurance carrier, in turn, pays 100% of all claims.

E. Prescription Drug Self-Insurance Program

Since August 1, 1994, the District also provides an enhancement to the prescription drug insurance benefit provided through the health insurance Company, through a self-insurance program.

Employees on a preferred provider organization plan are reimbursed the amount of the co-pay greater than \$8.00, but not exceeding \$15.

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

For traditional health insurance plan participants, the school district contributes each month to the self-insurance fund \$20.00 per single coverage and \$30.00 per family coverage. These contributions and all related expenses are accounted for in the Prescription Drug Self-Insurance Plan Fund. During fiscal year 2001, reimbursement by the employees' health insurance company was \$5,512 of which \$126 was a receivable at fiscal year end. The school district has no stop loss insurance and has not set a maximum amount payable per beneficiary. However, the School District's liability is limited to the employees' unpaid deductible and maximum out-of-pocket expense.

The claims liability of \$399 reported in the Self Insurance internal service fund at June 30, 2001, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements amount can be reasonably estimated. Changes in the claims activity for the last three fiscal years were as follows:

<u>Fiscal Year</u>	<u>Unpaid Claims (Payables) at Beginning of Year</u>	<u>Plus Current Year Claims</u>	<u>Minus Claim Payments</u>	<u>Unpaid Claims (Payables) at End of Year</u>
1999	\$4,035	\$64,977	\$61,825	\$7,187
2000	\$7,187	\$33,223	\$39,067	\$1,343
2001	\$1,343	\$5,648	\$6,592	\$399

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$381,749, \$308,419, and \$279,286, respectively; 86.12 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$52,992, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$75,181, \$59,634 and \$55,634, respectively; 58.05 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$31,542, is recorded as a liability within the respective funds and the general long-term obligations account group.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. POST EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$218,142.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$45,377 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. EMPLOYMENT BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Administrators and classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of the unused sick leave is paid upon retirement at the rate of one-fourth of the accumulated sick leave to a maximum of 33 days at the daily rate of pay being received at the time of final service.

The long-term balance of the liability for governmental funds is reported in the general long-term obligations account group in the amount of \$264,619 for FY 2001. The accrual for unpaid compensated absences of \$2,584 FY2001 was reported in the enterprise funds and \$12,632 for FY 2001 was reported in the General Fund.

B. Insurance

The School District has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio for each full-time certificated and classified employee. The District pays 100% of the health insurance premium for employees who work 5 hours per day or more. The District pays 50% of the premium for employees who work 2 to 5 hours per day. Employees who work less than 2 hours per day are not eligible for board paid health insurance.

Dental insurance is also provided through Medical Mutual of Ohio at 90% and 45% respectively. Employees who work less than 2 hours per day are not eligible for board paid dental insurance.

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Reductions	Principal Outstanding 6/30/2001
EPA Asbestos Removal Note No Interest; Matures 2006	\$26,290		\$5,000	\$21,290
Intergovernmental Payable	27,564	\$28,818	27,564	28,818
Compensated Absences	243,580	21,039		264,619
Totals	\$297,434	\$49,857	\$32,464	\$314,727

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

The intergovernmental payables and compensated absences recorded above represent the non-current portion of the liability. The current portion has been recorded in the appropriate fund types. The intergovernmental payables and compensated absences will be paid from the fund from which the employee is paid.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

The annual requirement to amortize all bond and note debt outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30	EPA Assistance Note Award
2002	\$5,000
2003	5,000
2004	5,000
2005	5,000
2006	1,290
Total	\$21,290

15. INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2001:

Fund	Transfer In	Transfer Out
General		\$8,548
Special Revenues:		
Management Information System	\$8,498	
Internal Service Funds:		
Self-Funded Drug Fund		
Agency Funds:		
Spirit Club	50	
	\$8,548	\$8,548

16. OPERATING LEASES

The District rents the elementary school building from the St. Michael's parish. The current contract runs from August 1, 1996 to July 31, 2001. During fiscal year 2001, the District paid \$96,095 in rent. The District has renewed the lease for an additional five year period at an initial cost of \$90,000 per year.

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of Kalida Local School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supply	Total
Operating Revenues	174,653	22,669	197,322
Operating Expenses Before Depreciation	206,544	21,819	228,363
Depreciation Expense	1,401		1,401
Operating Loss	(33,292)	850	(32,442)
Non-Operating Revenues			

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

	Food Service	Uniform School Supply	Total
Federal Donated Commodities	18,577		18,577
Interest Earned	790		790
Operating Grants	21,770		21,770
Net Income	7,845	850	8,695
Net Working Capital	(1,957)	2,588	632
Total Assets	37,742	2,588	40,330
Long-Term Liabilities	2,584		2,584
Total Equity	13,262	2,588	15,850
Encumbrances Outstanding (Budget Basis) at June 30, 2001	2,070		2,070

18. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Service Cooperative

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

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. The School District paid NOACSC \$9,365 for services provided during the year. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School, Julie Mohr, Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

19. INSURANCE POOLS

A. Putnam County Schools Insurance Group

The Putnam County Schools Insurance Group is a shared risk pool among nine local school districts, the Putnam County Board of MR/DD, and the Putnam County Educational Service Center. An advisory committee that consists of each member's superintendent or designee and a teacher from each participating school district governs the insurance group. There were no

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

charges for services provided during the year. Financial information can be obtained from Michael Siebeneck, who serves as treasurer, at P.O. Box 190, Ottawa, Ohio 45875.

B. Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program

The School District participates in the Northwest Ohio Area Computer Service Cooperative Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five 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 Superintendent 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. The School District paid GRP \$849 for services provided during the year.

20. CONTINGENCIES

Grants

The School 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 School District at June 30, 2001.

21. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2003 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio School districts. However, as of November 21, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

**KALIDA LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its' future State funding and on its financial operations.

22. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end, however, the District has approved the reallocation of the budget stabilization funds to the capital projects fund and severance payment funds, these reallocations will be made sometime during fiscal year 2002.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	Instructional Materials	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 2000	\$25,985	\$1,700	\$42,762	\$70,447
Current Year Set-aside Requirement	92,377	\$92,377		184,754
Current Year Additional Deposits			31,125	31,125
Current Year Offsets		57,333		57,333
Qualifying Disbursements	66,253	35,392		101,645
Set-aside Cash Balance as of June 30, 2001	\$52,109	\$1,352	\$73,887	127,348
Amount Restricted for Bus Purchases				134
Total Restricted Assets				\$127,482



STATE OF OHIO
OFFICE OF THE AUDITOR
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Kalida Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 21, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 21, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 21, 2001.

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

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

Jim Petro
Auditor of State

November 21, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

KALIDA LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 11, 2001**