



**Auditor of State  
Betty Montgomery**



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Kalida Local School District, Putnam County, (the District) as of and for the year ended June 30, 2002, 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 District as of June 30, 2002, 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 20, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Betty Montgomery**  
Auditor of State

November 20, 2003

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**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 840,776	\$ 123,474	\$ 2,034	\$ 153,802
Investments in Segregated Accounts	1,750	-	-	-
Receivables:				
Property and Other Local Taxes	1,300,424	-	-	55,666
Accounts	9,415	282	-	-
Intergovernmental	1	-	-	-
Accrued Interest	665	-	-	-
Interfund Receivable	259	-	-	-
Inventory Held for Resale	-	-	-	-
Prepaid Items	14,425	-	-	-
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	25,828	-	-	-
Fixed Assets	-	-	-	-
<b>Other Debits:</b>				
Amount available in Special Revenue Funds for Payment of Termination Benefits	-	-	-	-
Amount available in Debt Service Fund for Retirement of General Obligation Notes	-	-	-	-
Amount to be Provided from General Government Resources	-	-	-	-
<b>Total Assets and Other Debits</b>	<b><u>\$ 2,193,543</u></b>	<b><u>\$ 123,756</u></b>	<b><u>\$ 2,034</u></b>	<b><u>\$ 209,468</u></b>



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
\$ 28,675	\$ 5,668	\$ 95,761	\$ -	\$ -	\$ 1,250,190
-	-	-	-	-	1,750
-	-	-	-	-	1,356,090
-	106	330	-	-	10,133
-	-	-	-	-	1
-	-	-	-	-	665
-	-	-	-	-	259
6,797	-	-	-	-	6,797
-	-	-	-	-	14,425
-	-	-	-	-	25,828
16,408	-	-	3,922,896	-	3,939,304
-	-	-	-	59,034	59,034
-	-	-	-	2,034	2,034
-	-	-	-	272,997	272,997
<u>\$ 51,880</u>	<u>\$ 5,774</u>	<u>\$ 96,091</u>	<u>\$ 3,922,896</u>	<u>\$ 334,065</u>	<u>\$ 6,939,507</u>

(Continued)

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2002  
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 1,848	\$ 563	\$ -	\$ 9,326
Accrued Wages and Benefits	344,802	4,882	-	-
Compensated Absences Payable	13,465	-	-	-
Interfund Payable	-	-	-	-
Intergovernmental Payable	103,048	1,304	-	-
Deferred Revenue	1,210,656	-	-	51,743
Undistributed Monies	-	-	-	-
Due to Students	-	-	-	-
Notes Payable	-	-	-	-
Claims Payable	-	-	-	-
	1,673,819	6,749	-	61,069
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	88,215	11,573	-	33,450
Reserved for Debt Service Principal	-	-	2,034	-
Reserved for Property Tax	89,768	-	-	3,923
Reserved for Textbooks and Instructional Material	23,472	-	-	-
Reserved for Capital Improvements	2,285	-	-	-
Reserved for Bus Purchase	71	-	-	-
Designated for Termination Benefits	-	59,034	-	-
Unreserved, Undesignated	315,913	46,400	-	111,026
	519,724	117,007	2,034	148,399
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 2,193,543</b>	<b>\$ 123,756</b>	<b>\$ 2,034</b>	<b>\$ 209,468</b>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
\$ -	\$ -	\$ 8	\$ -	\$ -	\$ 11,745
10,157	224	-	-	-	360,065
3,026	-	-	-	290,510	307,001
-	-	259	-	-	259
9,599	43	2	-	27,265	141,261
4,466	-	-	-	-	1,266,865
-	-	18,807	-	-	18,807
-	-	34,848	-	-	34,848
-	-	-	-	16,290	16,290
-	67	-	-	-	67
<u>27,248</u>	<u>334</u>	<u>53,924</u>	<u>-</u>	<u>334,065</u>	<u>2,157,208</u>
-	-	-	3,922,896	-	3,922,896
8,136	-	-	-	-	8,136
16,496	5,440	-	-	-	21,936
-	-	-	-	-	133,238
-	-	-	-	-	2,034
-	-	-	-	-	93,691
-	-	-	-	-	23,472
-	-	-	-	-	2,285
-	-	-	-	-	71
-	-	-	-	-	59,034
-	-	42,167	-	-	515,506
<u>24,632</u>	<u>5,440</u>	<u>42,167</u>	<u>3,922,896</u>	<u>-</u>	<u>4,782,299</u>
<b>\$ 51,880</b>	<b>\$ 5,774</b>	<b>\$ 96,091</b>	<b>\$ 3,922,896</b>	<b>\$ 334,065</b>	<b>\$ 6,939,507</b>

**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, 2002**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Taxes	\$ 1,289,670	\$ -
Intergovernmental	2,708,468	121,805
Interest	37,982	1,195
Tuition and Fees	124,962	-
Rent	340	-
Extracurricular Activities	-	96,149
Gifts and Donations	15,594	2,855
Miscellaneous	22,673	-
Total Revenues	4,199,689	222,004
<b>Expenditures</b>		
Instruction:		
Regular	2,283,228	37,951
Special	218,819	62,499
Vocational	115,972	214
Adult/Continuing	8,298	-
Support services:		
Pupils	182,684	12,453
Instructional Staff	193,002	21,097
Board of Education	20,140	28
Administration	374,952	9,912
Fiscal	163,265	34
Operation and Maintenance of Plant	336,081	762
Pupil Transportation	224,138	-
Extracurricular Activities	129,391	96,241
Capital Outlay	200	-
Debt Service:		
Principal	-	-
Total Expenditures	4,250,170	241,191
Excess of Revenues Over (Under) Expenditures	(50,481)	(19,187)
<b>Other Financing Sources and (Uses)</b>		
Operating Transfers In	-	70,087
Proceeds from Sale of Fixed Assets	286	-
Operating Transfers Out	(84,940)	-
Increase in Fair Value of Investments	450	-
Total Other Financing Sources and (Uses)	(84,204)	70,087
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(134,685)	50,900
Fund Balance at Beginning of Year	654,409	66,107
<b>Fund Balance at End of Year</b>	<b>\$ 519,724</b>	<b>\$ 117,007</b>

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 5,000	\$ 55,547	\$ -	\$ 1,350,217
-	38,991	-	2,869,264
-	2,933	1,025	43,135
-	-	-	124,962
-	-	-	340
-	-	-	96,149
-	-	-	18,449
-	-	-	22,673
<u>5,000</u>	<u>97,471</u>	<u>1,025</u>	<u>4,525,189</u>
-	31,373	-	2,352,552
-	-	-	281,318
-	-	-	116,186
-	-	-	8,298
-	-	-	195,137
-	5,420	-	219,519
-	-	-	20,168
-	-	-	384,864
-	1,492	-	164,791
-	4,080	-	340,923
-	5,148	-	229,286
-	-	-	225,632
-	34,748	-	34,948
<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<u>5,000</u>	<u>82,261</u>	<u>-</u>	<u>4,578,622</u>
<u>-</u>	<u>15,210</u>	<u>1,025</u>	<u>(53,433)</u>
-	14,853	-	84,940
-	-	-	286
-	-	-	(84,940)
-	-	-	450
<u>-</u>	<u>14,853</u>	<u>-</u>	<u>736</u>
-	30,063	1,025	(52,697)
2,034	118,336	41,142	882,028
<u>\$ 2,034</u>	<u>\$ 148,399</u>	<u>\$ 42,167</u>	<u>\$ 829,331</u>

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2002**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Total Revenues	\$ 4,089,512	\$ 4,264,520	\$ 175,008
<b>Expenditures:</b>			
Instruction:			
Regular	2,525,950	2,322,914	203,036
Special	248,558	221,739	26,819
Vocational	142,892	117,263	25,629
Other	7,000	9,314	(2,314)
Support Services:			
Pupils	234,346	186,115	48,231
Instructional Staff	271,240	211,984	59,256
Board of Education	28,489	24,004	4,485
Administration	412,738	375,990	36,748
Fiscal	188,242	166,743	21,499
Operation and Maintenance of Plant	423,098	337,836	85,262
Pupil Transportation	298,690	234,302	64,388
Central	1	-	1
Non-Instructional Services	-	-	-
Extracurricular Activities	199,954	129,711	70,243
Capital Outlay	200	200	-
Debt Service - Principal	-	-	-
Total Expenditures	<u>4,981,398</u>	<u>4,338,115</u>	<u>643,283</u>
Excess of Revenues Over (Under) Expenditures	<u>(891,886)</u>	<u>(73,595)</u>	<u>818,291</u>
<b>Other Financing Sources and Uses:</b>			
Operating Transfers In	-	-	-
Proceeds from Sale of Fixed Assets	-	286	286
Refund of Prior Year Expenditures	-	-	-
Advances In	-	15,362	15,362
Operating Transfers Out	-	(84,940)	(84,940)
Advances Out	-	(15,259)	(15,259)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(84,551)</u>	<u>(84,551)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(891,886)</u>	<u>(158,146)</u>	<u>733,740</u>
Fund Balances at Beginning of Year	900,412	900,412	-
Prior Year Encumbrances Appropriated	<u>34,492</u>	<u>34,492</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<b><u>\$ 43,018</u></b>	<b><u>\$ 776,758</u></b>	<b><u>\$ 733,740</u></b>

<b>Special Revenue</b>			<b>Debt Service</b>		
<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$ 184,763	\$ 179,422	\$ (5,341)	\$ 5,000	\$ 5,000	-
41,761	38,109	3,652	-	-	-
22,595	18,198	4,397	-	-	-
1,215	214	1,001	-	-	-
-	-	-	-	-	-
12,710	12,352	358	-	-	-
24,339	20,196	4,143	-	-	-
28	28	-	-	-	-
31,125	12,353	18,772	-	-	-
107	34	73	-	-	-
762	762	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
113,958	110,270	3,688	-	-	-
-	-	-	-	-	-
-	-	-	5,000	5,000	-
248,600	212,516	36,084	5,000	5,000	-
(63,837)	(33,094)	30,743	-	-	-
7,000	70,087	63,087	-	-	-
-	-	-	-	-	-
-	150	150	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(243)	(243)	-	-	-
7,000	69,994	62,994	-	-	-
(56,837)	36,900	93,737	-	-	-
67,064	67,064	-	2,034	2,034	-
7,461	7,461	-	-	-	-
<b>\$ 17,688</b>	<b>\$ 111,425</b>	<b>\$ 93,737</b>	<b>\$ 2,034</b>	<b>\$ 2,034</b>	<b>\$ -</b>

(Continued)

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

	<b>Capital Projects</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Total Revenues	\$ 94,598	\$ 98,293	\$ 3,695
<b>Expenditures:</b>			
Instruction:			
Regular	71,073	31,373	39,700
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
Support Services:			
Pupils	-	-	-
Instructional Staff	5,421	5,420	1
Board of Education	-	-	-
Administration	-	-	-
Fiscal	2,500	1,492	1,008
Operation and Maintenance of Plant	20,000	4,080	15,920
Pupil Transportation	5,802	5,148	654
Central	-	-	-
Non-Instructional Services	-	-	-
Extracurricular Activities	-	-	-
Capital Outlay	101,947	71,198	30,749
Debt Service - Principal	-	-	-
Total Expenditures	<u>206,743</u>	<u>118,711</u>	<u>88,032</u>
Excess of Revenues Over (Under) Expenditures	<u>(112,145)</u>	<u>(20,418)</u>	<u>91,727</u>
<b>Other Financing Sources and Uses:</b>			
Operating Transfers In	-	14,853	14,853
Proceeds from Sale of Fixed Assets	-	-	-
Refund of Prior Year Expenditures	-	-	-
Advances In	-	-	-
Operating Transfers Out	-	-	-
Advances Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>14,853</u>	<u>14,853</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(112,145)</u>	<u>(5,565)</u>	<u>106,580</u>
Fund Balances at Beginning of Year	102,451	102,451	-
Prior Year Encumbrances Appropriated	<u>11,140</u>	<u>11,140</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<b><u>\$ 1,446</u></b>	<b><u>\$ 108,026</u></b>	<b><u>\$ 106,580</u></b>

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



Expendable Trust			Totals (Memorandum)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 3,500	\$ 1,025	\$ (2,475)	\$ 4,377,373	\$ 4,548,260	\$ 170,887
-	-	-	2,638,784	2,392,396	246,388
-	-	-	271,153	239,937	31,216
-	-	-	144,107	117,477	26,630
-	-	-	7,000	9,314	(2,314)
-	-	-	247,056	198,467	48,589
-	-	-	301,000	237,600	63,400
-	-	-	28,517	24,032	4,485
-	-	-	443,863	388,343	55,520
-	-	-	190,849	168,269	22,580
-	-	-	443,860	342,678	101,182
-	-	-	304,492	239,450	65,042
-	-	-	1	-	1
3,500	-	3,500	3,500	-	3,500
-	-	-	313,912	239,981	73,931
-	-	-	102,147	71,398	30,749
-	-	-	5,000	5,000	-
3,500	-	3,500	5,445,241	4,674,342	770,899
-	1,025	1,025	(1,067,868)	(126,082)	941,786
-	-	-	7,000	84,940	77,940
-	-	-	-	286	286
-	-	-	-	150	150
-	-	-	-	15,362	15,362
-	-	-	-	(84,940)	(84,940)
-	-	-	-	(15,502)	(15,502)
-	-	-	7,000	296	(6,704)
-	1,025	1,025	(1,060,868)	(125,786)	935,082
41,142	41,142	-	1,113,103	1,113,103	-
-	-	-	53,093	53,093	-
<u>\$ 41,142</u>	<u>\$ 42,167</u>	<u>\$ 1,025</u>	<u>\$ 105,328</u>	<u>\$ 1,040,410</u>	<u>\$ 935,082</u>

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2002**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Revenues:</b>			
Sales	\$ 171,011	\$ -	\$ 171,011
Charges for Services	-	1,510	1,510
	<u>171,011</u>	<u>1,510</u>	<u>172,521</u>
Total Operating Revenues:			
<b>Operating Expenses:</b>			
Salaries	71,114	1,992	73,106
Fringe Benefits	29,941	3,202	33,143
Purchased Services	2,837	-	2,837
Cost of Sales	103,811	-	103,811
Depreciation	1,394	-	1,394
Other	7,132	-	7,132
	<u>216,229</u>	<u>5,194</u>	<u>221,423</u>
Total Operating Expenses:			
Operating Loss	<u>(45,218)</u>	<u>(3,684)</u>	<u>(48,902)</u>
<b>Non-Operating Revenues</b>			
Federal Donated Commodities	28,864	-	28,864
Interest	467	-	467
Federal and State Subsidies	24,669	-	24,669
	<u>54,000</u>	<u>-</u>	<u>54,000</u>
Total Other Non-Operating Revenues			
Net Income	8,782	(3,684)	5,098
Retained Earnings at Beginning of Year	<u>7,714</u>	<u>9,124</u>	<u>16,838</u>
Retained Earnings at End of Year	16,496	5,440	21,936
Contributed Capital Beginning and End of Year	<u>8,136</u>	<u>-</u>	<u>8,136</u>
<b>Fund Equity at Year End</b>	<b><u>\$ 24,632</u></b>	<b><u>\$ 5,440</u></b>	<b><u>\$ 30,072</u></b>

*The notes to the 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 Fiscal Year Ended June 30, 2002**

	<b>Enterprise</b>	<b>Internal Service</b>	<b>Totals (Memorandum Only)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 171,011	\$ 1,530	\$ 172,541
Cash Received from Other Sources		1,135	1,135
Cash Payments to Suppliers for Goods and Services	(77,067)		(77,067)
Cash Payments to Employees for Services	(71,281)	(1,989)	(73,270)
Cash Payments for Employee Benefits	(29,942)	(3,425)	(33,367)
Cash Payments for Other Expenses	(7,131)	-	(7,131)
Net Cash Used by Operating Activities	(14,410)	(2,749)	(17,159)
Cash Flows from Noncapital Financing Activities:			
Cash Received from Operating Grants	24,668	-	24,668
Cash Flows from Investing Activities:			
Interest on Investments	467	-	467
Net Increase (Decrease) in Cash and Cash Equivalents	10,725	(2,749)	7,976
Cash and Cash Equivalents at Beginning of Year	17,950	8,417	26,367
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 28,675</b>	<b>\$ 5,668</b>	<b>\$ 34,343</b>

(Continued)

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

	Enterprise	Internal Service	Totals (Memorandum Only)
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>			
Operating Loss	\$ (45,218)	\$ (3,684)	\$ (48,902)
Adjustments to Reconcile Operating:			
Depreciation	1,394	-	1,394
Federal Donated Commodities	28,864	-	28,864
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	-	1,487	1,487
Increase in Inventory Held for Resale	(2,218)	-	(2,218)
Decrease in Accounts Payable	-	(223)	(223)
Decrease in Claims Payable	-	(332)	(332)
Increase in Accrued Wages	930	7	937
Increase in Compensated Absences Payable	442	-	442
Decrease in Intergovernmental Payable	(1,097)	(4)	(1,101)
Increase in Deferred Revenue	2,493	-	2,493
	30,808	935	31,743
Total Adjustments			
Net Cash Used for Operating Activities	<b>\$ (14,410)</b>	<b>\$ (2,749)</b>	<b>\$ (17,159)</b>

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

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002**

**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 2001 was 670. The District employed five administrative personnel, 54 certificated employees and 25 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 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 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

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

GASB pronouncements. The more significant of the District's accounting policies are described below.

**A. Basis of Presentation - Fund Accounting**

The financial transactions of the School 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).

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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 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.

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.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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.

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, expendable trust funds, and agency funds. The full accrual basis of accounting is followed by the proprietary funds.

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. On the accrual basis, 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 in the fiscal year in which all eligibility requirements have been satisfied. 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. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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, grants, interest, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 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.



**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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.

**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 fund 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 2002.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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 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 County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. 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 2002, investments were limited to STAR Ohio (the State Treasurer's Asset Reserve investment pool), certificates of deposit, and local phone company stock.

Except for participating investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase and nonparticipating investment

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

contracts, investments are reported at fair value, which is based on quoted market prices. Participating investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase and nonparticipating investment contracts 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 2002. 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 valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to \$37,982 that included \$9,965 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 three 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 three 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, 2002 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

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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.

**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

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**Reimbursable Grants**

General Fund  
(None)

Proprietary Funds  
National School Lunch Program  
Special Milk Program  
Government Donated Commodities

Grant entitlements amounted to approximately \$2,869,264 of the School Districts operating revenues during the fiscal year 2002 for all governmental funds.

**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 judgments, 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.

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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.

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 and Designation**

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, textbooks and instructional materials, capital improvements, 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.

The School District has also chosen to set aside funds in the special revenue funds to provide for payment of future termination benefits to the employees. These funds are recorded as a designation for termination benefits on the accompanying financial statements.

**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.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**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. CORRECTION OF AN ERROR AND A PRIOR PERIOD RESTATEMENT**

In the prior fiscal year accounts receivable in the internal service fund were understated by \$1,467. Had these amounts been properly recorded the previously reported internal service fund equity at June 30, 2001 would have been \$9,124 and the previously reported net loss would have been \$3,776.

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 and Similar Fiduciary Fund Types is 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Although not part of the appropriated budget, the VI-B Preschool and VI-B School Age special revenue funds are 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.

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and other Financing Uses All Governmental and Similar Fiduciary Fund Types			
	General	Special Revenue	Capital Projects
Budget Basis	\$ (158,146)	\$ 36,900	\$ (5,565)
Revenue Accruals	(79,743)	42,432	(822)
Expenditure Accruals	13,363	(40,482)	(6,326)
Encumbrances	89,841	12,050	42,776
GAAP Basis	\$ (134,685)	\$ 50,900	\$ 30,063

**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 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



**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time (if the school treasurer has received the necessary training); and
8. If the district has complied with section 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 \$94 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."

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 \$479,499 and the bank balance was \$574,241. Of the bank balance, \$200,000 was covered by federal depository insurance and \$271,440 was covered by securities held by the pledging financial institution's trust department in the School District's name. The remaining balance was uninsured and uncollateralized. Although all state statutory requirements for the depository of money had been

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
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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's investments as of June 30, 2002 are categorized below:

	Category	Carrying Amount	Fair Value
STAR Ohio	Unclassified	\$ 796,425	\$ 796,425
Stock	1	1,750	1,750
Total Investments		\$ 798,175	\$ 798,175

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:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 1,276,018	\$ 1,750
Less: Amount on deposit at the ESC	-	-
Cash on Hand	(94)	
Investments: STAR Ohio	(796,425)	796,425
GASB Statement 3	\$ 479,499	\$ 798,175

**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

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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
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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.

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, 2002 are available to finance fiscal year 2003 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, 2002. 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, 2002, was \$93,691, \$89,768 to the General Fund and \$3,923 to the Permanent Improvement Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second Half Collections		2002 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$ 44,334,150	78.53%	\$ 45,445,710	82.06%
Public Utility	4,158,530	7.37%	2,769,810	5.00%
Tangible Personal Property	7,958,017	14.10%	7,163,756	12.94%
Total Assessed Value	<u>\$ 56,450,697</u>	<u>100.00%</u>	<u>\$ 55,379,276</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed valuation	\$34.35		\$34.38	

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$ 86,629
Less Accumulated Depreciation	<u>(70,221)</u>
Net Fixed Assets	<u>\$ 16,408</u>

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

A summary of the changes in general fixed assets during fiscal year 2002 follows:

	Balance 06/30/01	Additions	Reductions	Balance 06/30/02
Land	\$ 60,637	\$ -	\$ -	\$ 60,637
Land Improvements	48,126	2,275	-	50,401
Buildings	1,592,038	-	-	1,592,038
Furniture and Equipment	1,353,802	258,580	31,399	1,580,983
Vehicles	343,837	-	-	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>\$ 3,693,440</u>	<u>\$ 260,855</u>	<u>\$ 31,399</u>	<u>\$ 3,922,896</u>

**9. RECEIVABLES**

Receivables, at June 30, 2002, 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**

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

**A. Liability Insurance**

During fiscal year 2002, the District contracted with the Ohio School Plan through Harcum-Hyre Insurance Company for general liability insurance with \$1,000,000 each occurrence, \$3,000,000 aggregate limit.

The District also contracted with Twin City Fire Insurance Company through the Hylant Group Inc.-Ohio School Plan for excess liability insurance with \$1,000,000 each occurrence, \$1,000,000 aggregate limit.

**B. Property Insurance**

During fiscal year 2002, the District contracted with the Indiana Insurance Company through Fawcett, Lammon, Recker, & Assoc. Insurance Company for property, boiler and machinery insurance.

**C. Fleet Insurance**

During fiscal year 2002, the District contracted with the Nationwide Agribusiness through Harcum-Hyre Insurance Company for vehicle insurance, holding a \$100 deductible for

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

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.

**D. 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.

**E. Putnam County Schools Insurance Group (PCSIG)**

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

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

**F. Prescription Drug Self-Insurance Program**

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

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

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

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(Continued)**

The school district contributes monthly to the self-insurance fund, \$20.00 per single CMM plan and \$30.00 per family CMM plan, up to a maximum fund balance of \$10,000. These contributions and all related expenses are accounted for in the Prescription Drug Self-Insurance Plan Fund. During fiscal year 2002, reimbursement by the employees' health insurance program was \$1,116 of which \$106 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.

Changes in claims activity for the past two fiscal years are as follows:

Fiscal Year	Unpaid Claims (Payables) at Beginning of Year	Plus Current Year Claims	Minus Claim Payments	Unpaid Claims (Payables) at End of Year
2000	\$ 7,187	\$ 33,223	\$ 39,067	\$ 1,343
2001	1,343	5,648	6,592	399
2002	399	375	707	67

**11. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

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 2002. 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 contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$216,150, \$204,952, and \$132,184 respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$35,511 representing the unpaid contribution for fiscal year 2002 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 pension plan. SERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Kalida Local School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2002, 5.46 percent was the portion used to fund pension obligations. For fiscal year 2001, the portion used to fund pension obligations was 4.2 percent. 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 contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$25,224, \$17,845, and \$23,428, respectively; 48 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$13,043 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security**

Elected Board members have the option of choosing between the School Employees Retirement System and the Federal Social Security System. For fiscal year 2002 four Board Members have chosen to participate in social security

**12. POST EMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired certified employees and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 obligations 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.

**A. State Teachers Retirement System**

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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14 percent of covered payroll. The Health Care Reserve Fund allocation for the year ended June 30, 2002 equals 4.5 percent of covered payroll. For the School District, this amount equaled \$102,387 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002  
(Continued)**

**B. School Employees Retirement System**

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and 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 this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease from 9.8 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. 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 at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2001 SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge equaled \$51,852 during the 2002 fiscal year.

**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-five 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.

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, with teachers earning up to a maximum of 33 days at the daily rate of pay being received at the time of final service.

For FY 2002, the long-term balance of the liability for governmental funds is reported in the general long-term obligations account group in the amount of \$290,510. FY 2002, the accrual for unpaid compensated absences in the enterprise funds was \$3,026 and \$13,465 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 percent of the health insurance premium for employees who work 5 hours per day or more. The District pays 50 percent of the premium for employees who work 2 to 5 hours per



**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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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 percent and 45 percent 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 2002 were as follows:

	Principal Outstanding 06/30/01	Additions	Reductions	Principal Outstanding 06/30/02
EPA Asbestos Removal Note				
No Interest; Matures 2006	\$ 21,290	\$ -	\$ 5,000	\$ 16,290
Intergovernmental Payable	28,818	27,265	28,818	27,265
Compensated Absences	264,619	25,891	-	290,510
Totals	<u>\$ 314,727</u>	<u>\$ 53,156</u>	<u>\$ 33,818</u>	<u>\$ 334,065</u>

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.

The annual requirement to amortize all bond and note debt outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30	EPA Assistance Note Award
2003	\$ 5,000
2004	5,000
2005	5,000
2006	1,290
Total	<u>\$ 16,290</u>

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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**15. INTERFUND TRANSACTIONS**

The following is a reconciliation of the District's operating transfers for fiscal year 2002:

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 84,940
Special Revenues:		
Management Information System	11,053	-
Severance Fund	59,034	-
Internal Service Funds:		
Self-Funded Drug Fund	-	-
Capital Project Funds:		
Permanent Improvement	14,853	-
	<u>\$ 84,940</u>	<u>\$ 84,940</u>

**16. OPERATING LEASES**

The District rents the elementary school building from St. Michael's parish. The current lease runs from August 1, 2001 to July 31, 2006, with an annual lease payment of \$90,000. The District fully intends to renew the lease for another 5 years.

**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, 2002.

	Food Service	Uniform School Supply	Total
Operating Revenues	\$ 171,011	\$ -	\$ 171,011
Operating Expenses Before Depreciation	212,314	2,521	214,835
Depreciation Expense	1,394	-	1,394
Operating Loss	(42,697)	(2,521)	(45,218)
Non-Operating Revenues			
Federal Donated Commodities	28,864	-	28,864
Interest Earned	467	-	467
Operating Grants	24,669	-	24,669
Net Income (Loss)	11,303	(2,521)	8,782
Net Working Capital	11,182	68	11,250
Total Assets	51,812	68	51,880
Long-Term Liabilities	3,026	-	3,026
Total Equity	24,564	68	24,632
Encumbrances Outstanding (Budget Basis) at June 30, 2002	2,052	-	2,052

**KALIDA LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements  
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(Continued)**

**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 \$11,622 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, 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 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 \$865 for services provided during the year.

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**Notes to the General-Purpose Financial Statements  
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**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, 2002.

**21. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed the Ohio General Assembly to enact a school funding scheme that is thorough and efficient. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**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. Effective with FY 2001, the Budget (Stabilization) Reserve Fund requirement was eliminated by SB 345, therefore the District has approved the reallocation of the budget stabilization funds to the capital project fund and severance payment fund. These reallocations were made 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 2002.

**KALIDA LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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(Continued)**

	Instructional Material and Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash balance as of June 30, 2001	\$ 52,109	\$ 1,352	\$ 73,887	\$ 127,348
Current Year Set-Aside Requirement	97,118	97,118	-	194,236
Current Year Additional Deposits	-	-	-	-
Current Year Offsets	-	81,014	-	81,014
Qualifying Disbursements	<u>125,755</u>	<u>15,171</u>	<u>73,887</u>	<u>214,813</u>
Set-Aside Cash balance as of June 30, 2002	<u>\$ 23,472</u>	<u>\$ 2,285</u>	<u>\$ -</u>	<u>\$ 25,757</u>
Amount restricted for bus purchases				<u>71</u>
Total Restricted Assets				<u>\$ 25,828</u>

**23. SUBSEQUENT EVENTS**

On December 11, 2002, the District issued notes in the amount of \$6,905,000 with a maturity date of June 11, 2003, to finance a school building construction and renovation project. Subsequently on March 13, 2003, the District issued general obligation bonds in the same amount in order retire bond anticipation notes.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the Kalida Local School District, Putnam County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 20, 2003. 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 certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 20, 2003.

**Internal Control over Financial Reporting**

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

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Kalida Local School District  
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Required by *Government Auditing Standards*  
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This report is intended for the information and use of the finance committee, management, and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

November 20, 2003





**Auditor of State  
Betty Montgomery**

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**KALIDA LOCAL SCHOOL DISTRICT**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 9, 2003**