

**KENT CITY SCHOOL DISTRICT
PORTAGE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	3
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types	10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	14
Combined Statement of Revenues, Expenses and Changes In Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types	15
Combined Statement of Cash Flows All Proprietary Fund Types	18
Notes to the General Purpose Financial Statements	20
Schedule of Federal Awards Receipts and Expenditures	47
Notes to the Schedule of Federal Awards Receipts and Expenditures	49
Report of Independent Accountants on Compliance and on Internal Controls Required by <i>Government Auditing Standards</i>	50
Report of Independent Accountants on Compliance with Requirements Applicable to each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	52
Schedule of Findings	54



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REPORT OF INDEPENDENT ACCOUNTANTS

Kent City School District
Portage County
321 North Depeyster Street
Kent, Ohio 44240

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Kent City School District, Portage County, Ohio, (the District) as of and for the year ended June 30, 1999, 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 generally accepted auditing standards 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, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2000, 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Jim Petro
Auditor of State

January 18, 2000

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Kent City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$7,259,592	\$595,220	\$460,175	\$5,313,515
Receivables:				
Taxes	16,424,950	0	1,431,460	0
Accounts	746,007	2,652	0	0
Intergovernmental	0	38,700	0	0
Accrued Interest	35,922	0	0	27,090
Interfund Receivable	14,850	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	50,565	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	402,747	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$24,934,633	\$636,572	\$1,891,635	\$5,340,605

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$37,396	\$872,927	\$69,784	\$0	\$0	\$14,608,609
0	0	0	0	0	17,856,410
367	35,298	0	0	0	784,324
46,747	0	0	0	0	85,447
0	0	0	0	0	63,012
0	0	0	0	0	14,850
27,842	0	0	0	0	27,842
0	0	0	0	0	50,565
0	0	0	0	0	402,747
29,675	0	0	45,848,825	0	45,878,500
0	0	0	0	663,435	663,435
0	0	0	0	23,029,470	23,029,470
<u>\$142,027</u>	<u>\$908,225</u>	<u>\$69,784</u>	<u>\$45,848,825</u>	<u>\$23,692,905</u>	<u>\$103,465,211</u>

(continued)

Kent City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities				
<i>Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$186,043	\$25,094	\$0	\$845,521
Accrued Wages and Benefits	2,476,600	99,211	0	0
Compensated Absences Payable	328,617	0	0	0
Interfund Payable	0	6,850	0	0
Intergovernmental Payable	602,697	36,834	0	48
Deferred Revenue	14,480,391	0	1,228,200	0
Undistributed Monies	0	0	0	0
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>18,074,348</u>	<u>167,989</u>	<u>1,228,200</u>	<u>845,569</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	378,754	71,829	0	1,722,188
Reserved for Inventory	50,565	0	0	0
Reserved for Budget Stabilization	402,747	0	0	0
Reserved for Property Taxes	1,944,559	0	203,260	0
Unreserved, Undesignated	4,083,660	396,754	460,175	2,772,848
<i>Total Fund Equity (Deficit) and Other Credits</i>	<u>6,860,285</u>	<u>468,583</u>	<u>663,435</u>	<u>4,495,036</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$24,934,633</u>	<u>\$636,572</u>	<u>\$1,891,635</u>	<u>\$5,340,605</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$32,008	\$47,992	\$0	\$0	\$0	\$1,136,658
32,013	0	0	0	0	2,607,824
71,839	0	0	0	1,421,138	1,821,594
8,000	0	0	0	0	14,850
27,963	0	0	0	355,594	1,023,136
7,610	0	0	0	0	15,716,201
0	0	5,008	0	0	5,008
0	0	64,776	0	0	64,776
0	183,648	0	0	0	183,648
0	0	0	0	49,988	49,988
0	0	0	0	21,866,185	21,866,185
<u>179,433</u>	<u>231,640</u>	<u>69,784</u>	<u>0</u>	<u>23,692,905</u>	<u>44,489,868</u>
0	0	0	45,848,825	0	45,848,825
(37,406)	676,585	0	0	0	639,179
0	0	0	0	0	2,172,771
0	0	0	0	0	50,565
0	0	0	0	0	402,747
0	0	0	0	0	2,147,819
0	0	0	0	0	7,713,437
<u>(37,406)</u>	<u>676,585</u>	<u>0</u>	<u>45,848,825</u>	<u>0</u>	<u>58,975,343</u>
<u>\$142,027</u>	<u>\$908,225</u>	<u>\$69,784</u>	<u>\$45,848,825</u>	<u>\$23,692,905</u>	<u>\$103,465,211</u>

Kent City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999*

	Governmental	
	General	Special Revenue
Revenues		
Taxes	\$16,935,557	\$0
Intergovernmental	11,732,516	1,860,120
Interest	616,058	1,650
Tuition and Fees	1,613,932	0
Extracurricular Activities	0	255,424
Rentals	27,711	17,436
Charges for Services	30,304	76,815
Contributions and Donations	3,500	103,292
Miscellaneous	36,150	79,106
<i>Total Revenues</i>	<u>30,995,728</u>	<u>2,393,843</u>
Expenditures		
Current:		
Instruction:		
Regular	12,851,936	240,896
Special	2,826,248	790,226
Vocational	1,626,730	29,916
Adult/Continuing	0	111,653
Support Services:		
Pupils	1,598,695	87,346
Instructional Staff	1,877,266	494,260
Board of Education	180,318	0
Administration	2,284,469	9,785
Fiscal	661,490	5,301
Business	361,144	0
Operation and Maintenance of Plant	2,380,675	0
Pupil Transportation	1,125,801	14,613
Central	155,887	19,967
Operation of Non-Instructional Services	7,895	279,710
Extracurricular Activities	518,480	169,046
Capital Outlay	13,339	12,358
Debt Service:		
Principal Retirement	32,815	0
Interest and Fiscal Charges	5,404	0
<i>Total Expenditures</i>	<u>28,508,592</u>	<u>2,265,077</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,487,136</u>	<u>128,766</u>
Other Financing Sources (Uses)		
Proceeds from Sale of Fixed Assets	7	0
Inception of Capital Lease	12,500	0
Operating Transfers In	0	27,844
Operating Transfers Out	(724,057)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(711,550)</u>	<u>27,844</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>1,775,586</u>	<u>156,610</u>
<i>Fund Balances Beginning of Year</i>	5,088,391	311,973
Decrease in Reserve for Inventory	(3,692)	0
<i>Fund Balances End of Year</i>	<u>\$6,860,285</u>	<u>\$468,583</u>

See accompanying notes to the general purpose financial statements

Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$1,561,206	\$0	\$18,496,763
169,853	114,542	13,877,031
0	771,156	1,388,864
0	0	1,613,932
0	0	255,424
0	0	45,147
0	0	107,119
0	0	106,792
1,135	88,300	204,691
<u>1,732,194</u>	<u>973,998</u>	<u>36,095,763</u>
0	0	13,092,832
0	0	3,616,474
0	0	1,656,646
0	0	111,653
0	0	1,686,041
0	0	2,371,526
0	0	180,318
0	0	2,294,254
26,515	0	693,306
0	0	361,144
0	0	2,380,675
0	0	1,140,414
0	0	175,854
0	0	287,605
0	0	687,526
0	13,678,936	13,704,633
686,000	0	718,815
<u>1,223,399</u>	<u>0</u>	<u>1,228,803</u>
<u>1,935,914</u>	<u>13,678,936</u>	<u>46,388,519</u>
<u>(203,720)</u>	<u>(12,704,938)</u>	<u>(10,292,756)</u>
0	4,003	4,010
0	0	12,500
218,713	420,000	666,557
<u>0</u>	<u>0</u>	<u>(724,057)</u>
<u>218,713</u>	<u>424,003</u>	<u>(40,990)</u>
14,993	(12,280,935)	(10,333,746)
648,442	16,775,971	22,824,777
<u>0</u>	<u>0</u>	<u>(3,692)</u>
<u>\$663,435</u>	<u>\$4,495,036</u>	<u>\$12,487,339</u>

Kent City School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Taxes	\$15,995,787	\$15,995,787	\$0
Intergovernmental	11,742,223	11,742,223	0
Interest	579,419	580,136	717
Tuition and Fees	873,216	873,216	0
Extracurricular Activities	0	0	0
Rentals	29,686	29,686	0
Charges for Services	30,599	30,599	0
Contributions and Donations	3,500	3,500	0
Miscellaneous	33,495	33,495	0
<i>Total Revenues</i>	<u>29,287,925</u>	<u>29,288,642</u>	<u>717</u>
Expenditures			
Current:			
Instruction:			
Regular	12,689,188	12,689,186	2
Special	2,861,820	2,861,820	0
Vocational	1,603,379	1,603,379	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	1,556,929	1,556,929	0
Instructional Staff	1,824,168	1,824,168	0
Board of Education	168,503	168,503	0
Administration	2,199,854	2,199,854	0
Fiscal	668,022	668,022	0
Business	364,627	364,627	0
Operation and Maintenance of Plant	2,481,171	2,481,171	0
Pupil Transportation	1,086,220	1,086,220	0
Central	161,292	161,292	0
Operation of Non-Instructional Services	9,352	9,352	0
Extracurricular Activities	517,601	517,601	0
Capital Outlay	15,725	15,725	0
Debt Services:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>28,207,851</u>	<u>28,207,849</u>	<u>2</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,080,074</u>	<u>1,080,793</u>	<u>719</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	7	7	0
Advances In	60,316	60,316	0
Advances Out	(14,850)	(14,850)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(724,057)	(724,057)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(678,584)</u>	<u>(678,584)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	401,490	402,209	719
<i>Fund Balances Beginning of Year</i>	6,231,335	6,231,335	0
Prior Year Encumbrances Appropriated	442,155	442,155	0
<i>Fund Balances End of Year</i>	<u>\$7,074,980</u>	<u>\$7,075,699</u>	<u>\$719</u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,482,654	\$1,482,654	\$0
1,821,420	1,821,420	0	169,853	169,853	0
1,650	1,650	0	0	0	0
0	0	0	0	0	0
259,924	259,945	21	0	0	0
17,420	17,436	16	0	0	0
75,690	75,965	275	0	0	0
103,292	103,292	0	0	0	0
80,007	80,007	0	1,135	1,135	0
<u>2,359,403</u>	<u>2,359,715</u>	<u>312</u>	<u>1,653,642</u>	<u>1,653,642</u>	<u>0</u>
254,851	254,851	0	0	0	0
782,499	782,499	0	0	0	0
27,780	27,780	0	0	0	0
115,001	115,001	0	0	0	0
94,030	94,030	0	0	0	0
474,731	474,731	0	0	0	0
0	0	0	0	0	0
9,746	9,746	0	0	0	0
5,301	5,301	0	26,515	26,515	0
0	0	0	0	0	0
0	0	0	0	0	0
13,221	13,221	0	0	0	0
18,740	18,740	0	0	0	0
310,750	310,750	0	0	0	0
187,723	187,723	0	0	0	0
19,898	19,898	0	0	0	0
0	0	0	686,000	686,000	0
0	0	0	1,223,399	1,223,399	0
<u>2,314,271</u>	<u>2,314,271</u>	<u>0</u>	<u>1,935,914</u>	<u>1,935,914</u>	<u>0</u>
45,132	45,444	312	(282,272)	(282,272)	0
0	0	0	0	0	0
6,850	6,850	0	0	0	0
(17,816)	(17,816)	0	0	0	0
27,844	27,844	0	218,713	218,713	0
0	0	0	0	0	0
<u>16,878</u>	<u>16,878</u>	<u>0</u>	<u>218,713</u>	<u>218,713</u>	<u>0</u>
62,010	62,322	312	(63,559)	(63,559)	0
361,776	361,776	0	523,734	523,734	0
71,108	71,108	0	0	0	0
<u>\$494,894</u>	<u>\$495,206</u>	<u>\$312</u>	<u>\$460,175</u>	<u>\$460,175</u>	<u>\$0</u>

(continued)

Kent City School District
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 1999*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$0	\$0	\$0
Intergovernmental	114,542	114,542	0
Interest	743,297	744,066	769
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Rentals	0	0	0
Charges for Services	0	0	0
Contributions and Donations	0	0	0
Miscellaneous	88,300	88,300	0
<i>Total Revenues</i>	<u>946,139</u>	<u>946,908</u>	<u>769</u>
Expenditures			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	15,825,450	15,825,450	0
Debt Services:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>15,825,450</u>	<u>15,825,450</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(14,879,311)</u>	<u>(14,878,542)</u>	<u>769</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	4,003	4,003	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	420,000	420,000	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>424,003</u>	<u>424,003</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(14,455,308)</u>	<u>(14,454,539)</u>	<u>769</u>
<i>Fund Balances Beginning of Year</i>	4,312,845	4,312,845	0
<i>Prior Year Encumbrances Appropriated</i>	<u>12,909,176</u>	<u>12,909,176</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$2,766,713</u>	<u>\$2,767,482</u>	<u>\$769</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$17,478,441	\$17,478,441	\$0
13,848,038	13,848,038	0
1,324,366	1,325,852	1,486
873,216	873,216	0
259,924	259,945	21
47,106	47,122	16
106,289	106,564	275
106,792	106,792	0
202,937	202,937	0
<u>34,247,109</u>	<u>34,248,907</u>	<u>1,798</u>
12,944,039	12,944,037	2
3,644,319	3,644,319	0
1,631,159	1,631,159	0
115,001	115,001	0
1,650,959	1,650,959	0
2,298,899	2,298,899	0
168,503	168,503	0
2,209,600	2,209,600	0
699,838	699,838	0
364,627	364,627	0
2,481,171	2,481,171	0
1,099,441	1,099,441	0
180,032	180,032	0
320,102	320,102	0
705,324	705,324	0
15,861,073	15,861,073	0
686,000	686,000	0
<u>1,223,399</u>	<u>1,223,399</u>	<u>0</u>
<u>48,283,486</u>	<u>48,283,484</u>	<u>2</u>
<u>(14,036,377)</u>	<u>(14,034,577)</u>	<u>1,800</u>
4,010	4,010	0
67,166	67,166	0
(32,666)	(32,666)	0
666,557	666,557	0
<u>(724,057)</u>	<u>(724,057)</u>	<u>0</u>
<u>(18,990)</u>	<u>(18,990)</u>	<u>0</u>
(14,055,367)	(14,053,567)	1,800
11,429,690	11,429,690	0
<u>13,422,439</u>	<u>13,422,439</u>	<u>0</u>
<u>\$10,796,762</u>	<u>\$10,798,562</u>	<u>\$1,800</u>

Kent City School District
*Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999*

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues			
Tuition	\$42,524	\$0	\$42,524
Sales	556,197	0	556,197
Charges for Services	7,086	2,366,197	2,373,283
<i>Total Operating Revenues</i>	605,807	2,366,197	2,972,004
Operating Expenses			
Salaries	219,109	0	219,109
Fringe Benefits	70,300	0	70,300
Purchased Services	544,082	495,530	1,039,612
Cost of Sales	141,935	0	141,935
Depreciation	9,330	0	9,330
Claims	0	1,673,866	1,673,866
Other	1,567	0	1,567
<i>Total Operating Expenses</i>	986,323	2,169,396	3,155,719
<i>Operating Income (Loss)</i>	(380,516)	196,801	(183,715)
Non-Operating Revenues			
Donated Commodities	31,739	0	31,739
Operating Grants	327,947	0	327,947
Interest	1,232	0	1,232
<i>Total Non-Operating Revenues</i>	360,918	0	360,918
<i>Income (Loss) Before Operating Transfers</i>	(19,598)	196,801	177,203
Operating Transfers In	57,500	0	57,500
<i>Net Income</i>	37,902	196,801	234,703
<i>Retained Earnings (Deficit)</i>			
<i>Beginning of Year</i>	(75,308)	479,784	404,476
<i>Retained Earnings (Deficit) End of Year</i>	(\$37,406)	\$676,585	\$639,179

See accompanying notes to the general purpose financial statements

Kent City School District
*Combined Statement of Revenues, Expenses and Changes
 In Fund Equity - Budget (Non-GAAP Basis) and Actual
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Tuition	\$42,524	\$42,524	\$0
Sales	471,910	471,910	0
Charges for Services	7,086	7,086	0
Interest	958	1,232	274
Operating Grants	281,200	281,200	0
Other	84,286	84,286	0
<i>Total Revenues</i>	<u>887,964</u>	<u>888,238</u>	<u>274</u>
Expenses			
Salaries	199,454	199,454	0
Fringe Benefits	49,370	49,370	0
Purchased Services	573,814	573,814	0
Materials and Supplies	112,109	112,109	0
Capital Outlay	2,065	2,065	0
Claims	0	0	0
Other	1,567	1,567	0
<i>Total Expenses</i>	<u>938,379</u>	<u>938,379</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenses</i>	<u>(50,415)</u>	<u>(50,141)</u>	<u>274</u>
Advances In	8,000	8,000	0
Advances Out	(42,500)	(42,500)	0
Operating Transfers In	57,500	57,500	0
<i>Total Operating Transfers and Advances</i>	<u>23,000</u>	<u>23,000</u>	<u>0</u>
<i>Excess of Revenues, Operating Transfers and Advances Over (Under) Expenses</i>	<u>(27,415)</u>	<u>(27,141)</u>	<u>274</u>
<i>Fund Equity Beginning of Year</i>	4,433	4,433	0
<i>Prior Year Encumbrances Appropriated</i>	<u>27,330</u>	<u>27,330</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$4,348</u>	<u>\$4,622</u>	<u>\$274</u>

(continued)

Kent City School District
*Combined Statement of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types (continued)
For the Fiscal Year Ended June 30, 1999*

	Internal Service Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Tuition	\$0	\$0	\$0
Sales	0	0	0
Charges for Services	2,330,609	2,330,900	291
Interest	0	0	0
Operating Grants	0	0	0
Other	0	0	0
<i>Total Revenues</i>	<u>2,330,609</u>	<u>2,330,900</u>	<u>291</u>
Expenses			
Salaries	0	0	0
Fringe Benefits	0	0	0
Purchased Services	523,289	523,289	0
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Claims	1,673,866	1,673,866	0
Other	0	0	0
<i>Total Expenses</i>	<u>2,197,155</u>	<u>2,197,155</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenses</i>	<u>133,454</u>	<u>133,745</u>	<u>291</u>
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
<i>Total Operating Transfers and Advances</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues, Operating Transfers and Advances Over (Under) Expenses</i>	133,454	133,745	291
<i>Fund Equity Beginning of Year</i>	662,458	662,458	0
<i>Prior Year Encumbrances Appropriated</i>	<u>44,008</u>	<u>44,008</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$839,920</u></u>	<u><u>\$840,211</u></u>	<u><u>\$291</u></u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$42,524	\$42,524	\$0
471,910	471,910	0
2,337,695	2,337,986	291
958	1,232	274
281,200	281,200	0
84,286	84,286	0
<u>3,218,573</u>	<u>3,219,138</u>	<u>565</u>
199,454	199,454	0
49,370	49,370	0
1,097,103	1,097,103	0
112,109	112,109	0
2,065	2,065	0
1,673,866	1,673,866	0
1,567	1,567	0
<u>3,135,534</u>	<u>3,135,534</u>	<u>0</u>
<u>83,039</u>	<u>83,604</u>	<u>565</u>
8,000	8,000	0
(42,500)	(42,500)	0
57,500	57,500	0
<u>23,000</u>	<u>23,000</u>	<u>0</u>
106,039	106,604	565
666,891	666,891	0
71,338	71,338	0
<u>\$844,268</u>	<u>\$844,833</u>	<u>\$565</u>

Kent City School District
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$563,282	\$0	\$563,282
Cash Payments from Quasi-External Transactions with Other Funds	0	2,330,899	2,330,899
Cash Received from Tuition Payments	42,524	0	42,524
Cash Payments to Suppliers for Goods and Services	(655,923)	(490,573)	(1,146,496)
Cash Payments to Employees for Services	(199,454)	0	(199,454)
Cash Payments for Employee Benefits	(48,661)	0	(48,661)
Cash Payments for Claims	0	(1,673,866)	(1,673,866)
Cash Payments for Other	(1,567)	0	(1,567)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(299,799)</u>	<u>166,460</u>	<u>(133,339)</u>
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	281,200	0	281,200
Operating Transfers In	57,500	0	57,500
Advances In	8,000	0	8,000
Advances Out	(42,500)	0	(42,500)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>304,200</u>	<u>0</u>	<u>304,200</u>
Cash Flows from Investing Activities			
Interest on Investments	1,232	0	1,232
<i>Net Increase Cash and Cash Equivalents</i>	5,633	166,460	172,093
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>31,763</u>	<u>706,467</u>	<u>738,230</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$37,396</u>	<u>\$872,927</u>	<u>\$910,323</u>

(continued)

Kent City School District
Combined Statement of Cash Flows
All Proprietary Fund Types (continued)
For the Fiscal Year Ended June 30, 1999

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used for) Operating Activities			
<i>Operating Income (Loss)</i>	<u>(\$380,516)</u>	<u>\$196,801</u>	<u>(\$183,715)</u>
<i>Adjustments:</i>			
Depreciation	9,330	0	9,330
Donated Commodities Used During Year	31,739	0	31,739
Increase (Decrease) in Assets:			
Accounts Receivable	(367)	(35,298)	(35,665)
Inventory Held for Resale	(7,580)	0	(7,580)
Increase (Decrease) in Liabilities:			
Accounts Payable	6,300	(2,636)	3,664
Accrued Wages and Benefits	19,655	0	19,655
Compensated Absences Payable	8,678	0	8,678
Intergovernmental Payable	12,962	0	12,962
Claims Payable	0	7,593	7,593
<i>Total Adjustments</i>	<u>80,717</u>	<u>(30,341)</u>	<u>50,376</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$299,799)</u>	<u>\$166,460</u>	<u>(\$133,339)</u>

See accompanying notes to the general purpose financial statements

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 1 - Description of the School District

Kent City School District 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 School District operates under a locally elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's seven instructional support facilities staffed by 260 classified employees, 307 certificated full-time teaching personnel, and 15 administrators who provide services to 3,982 students and other community members.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure 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 Kent City School District, this includes general operations, food service, preschool and student related activities of the School District.

The following activities are included within the reporting entity:

Parochial School. Within the School District boundaries, St. Patrick's is operated through the Catholic diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed by the School District on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity for these monies by the School District are reflected in a special revenue fund for financial reporting purposes.

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 deficits of or provides 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. The School District has no component units.

The School District is associated with certain organizations which are defined as Jointly Governed Organizations, a Related Organization and an Insurance Purchasing Pool. They include the North East Ohio Network for Educational Technology, Vocational Compact, Kent Free Library, and the Ohio School Board Association Workers' Compensation Group Rating Program. These organizations are presented in Note 15, Note 16 and Note 17 to the general purpose financial statements.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 2 - 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 GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses 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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School 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) 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 sources restricted for 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 debt principal, interest, and related costs.

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

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Proprietary Fund Types Proprietary funds are used to account for the School District's ongoing activities which 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 operations 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 Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District 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. There are two types of fiduciary funds, trust and agency. The School District has no trust funds. The School District's 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.

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 (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue. Special education tuition paid by other school districts which did not meet the available criteria has also been deferred.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivable at year end. The fair value of donated commodities used during the year is reported in 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 Data

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 funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function level for the general fund and fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 Portage County Budget Commission for rate determination.

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the 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 projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided 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 appropriations 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. The final amendment passed prior to year end matched appropriations to expenditures plus year end encumbrances. Formal budgetary integration is employed as a management control device during the year for all 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. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the fund and/or function level. On the GAAP basis, encumbrances outstanding at 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 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.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 1999, investments were limited to STAROhio, the State Treasurer's Investment Pool, certificates of deposit and repurchase agreements. All investments of the School District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$616,058, which includes \$312,933 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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a budget stabilization reserve. The reserve for budget stabilization also includes a refund received in fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. See Note 23 for the calculations of the year-end restricted asset balance and the corresponding fund balance reserve.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

G. 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 related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. 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. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life that ranges from five to ten years. Improvements are depreciated over the remaining useful lives of the related fixed assets.

H. 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

School Bus Purchase Reimbursement
State Foundation Program
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid
Textbook Subsidy
Local Professional Development
Education Management Information Systems

Non-Reimbursable Grants

General Fund

Vocational VEPA Grant

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Special Revenue Funds

Martha Holden Jennings
Title VIB
Adult Basic Literacy Education
Vocational Education
Title I
Title VI
Drug Free School
Post-Secondary Vocational Education
Jobs Education 60/40
Eisenhower Math & Science
Preschool/Handicapped
Parent Mentor
Federal Challenge
Venture Capital
Emergency Immigrant Education
Goals 2000

Capital Projects Fund

School Net Plus

Proprietary Fund

Adult Education

Reimbursable Grants

General Fund

Driver Education Reimbursement
CAFS Medicare Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to thirty-six percent of the School District's governmental funds revenue during the 1999 fiscal year.

I. 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/payables."

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

J. 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that 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.

K. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions 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 year end are generally considered not to have been paid with current available resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

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

L. 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.

M. Estimates

The preparation of the 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.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

N. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, budget stabilization and property taxes. The reserve for taxes represents property taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 23 for the calculation of the year-end restricted asset balance and corresponding fund balance reserve.

P. 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.

Note 3 - Deficit Fund Balance/Retained Earnings

The following funds had a deficit fund balance or deficit retained earnings as of June 30, 1999:

	<u>Deficit Fund Balance/ Retained Earnings</u>
Special Revenue Funds:	
Disadvantaged Pupil Impact Aid	\$1,923
Title VIB	4,569
Preschool Grant	107
Enterprise Funds:	
Food Service	25,963
Adult Education	17,221

The special revenue funds' deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Management is analyzing the food service and adult education operations to determine appropriate action to alleviate the deficits.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 4 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payment on bond anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP Basis	\$1,775,586	\$156,610	\$14,993	(\$12,280,935)
Net Adjustment for Revenue Accruals	(1,719,586)	(27,278)	(78,552)	(27,090)
Net Adjustment for Expenditure Accruals	887,383	50,820	0	399,519
Advance In	60,316	0	0	0
Advance Out	(14,850)	(17,816)	0	0
Encumbrances	<u>(586,640)</u>	<u>(100,014)</u>	<u>0</u>	<u>(2,546,033)</u>
Budget Basis	<u>\$402,209</u>	<u>\$62,322</u>	<u>(\$63,559)</u>	<u>(\$14,454,539)</u>

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Net Income/Excess of Revenues and Operating Transfers Over (Under) Expenses and Advances All Proprietary Fund Types	Enterprise	Internal Service
GAAP Basis	\$37,902	\$196,801
Net Adjustment for Revenue Accruals	(78,487)	(35,297)
Net Adjustment for Expense Accruals	71,388	4,958
Depreciation	9,330	0
Advance In	8,000	0
Advance Out	(42,500)	0
Encumbrances	(32,774)	(32,717)
Budget Basis	(\$27,141)	\$133,745

Note 5 - Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by 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 the 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;

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year end, the School District had \$8,550 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 (Including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$8,178,524 and the bank balance was \$8,582,441. Of the bank balance, \$320,441 was covered by federal depository insurance and \$8,262,000 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Investments The School District's investments are required to be 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 which 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. The School District invests in STAROhio, an investment pool operated by the Ohio State Treasurer, which is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$991,881	\$991,881	\$991,881
STAROhio		5,832,401	5,832,401
Total		\$6,824,282	\$6,824,282

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. A 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	\$15,011,356	\$0
Cash on Hand	(8,550)	0
Investments which are part of a cash management pool:		
Repurchase Agreements	(991,881)	991,881
STAROhio	(5,832,401)	5,832,401
GASB Statement 3	\$8,178,524	\$6,824,282

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

Real property taxes are levied after April 1, 1999, on the assessed value listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

Tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/ Residential and Other Real Estate	\$303,138,380	82.08%	\$307,479,360	82.62%
Public Utility Personal	23,000,690	6.23	22,548,150	6.06
Tangible Personal Property	43,167,891	11.69	42,114,942	11.32
Total	<u><u>\$369,306,961</u></u>	<u><u>100.00%</u></u>	<u><u>\$372,142,452</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$87.60		\$86.70	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Portage 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Kent City School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. 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 year operations. The receivable is therefore offset by a credit to deferred revenue

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$2,147,819 and is recognized as revenue. \$1,944,559 was available to the general fund and \$203,260 was available to the debt service fund.

Note 7 - Receivables

Receivables at June 30, 1999, consisted of taxes, accounts (rent and tuition), interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
Miscellaneous Federal Grant Special Revenue Fund	\$38,700
Food Service Enterprise Fund	46,747
Grand Total	\$85,447

Note 8 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

	Enterprise
Furniture and Equipment	\$160,207
Vehicles	26,533
Totals	186,740
Accumulated Depreciation	(157,065)
Net	\$29,675

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land	\$879,835	\$0	\$0	\$879,835
Buildings	11,251,355	18,546,794	30,411	29,767,738
Improvements Other than Buildings	452,560	32,064	0	484,624
Furniture and Equipment	6,711,373	406,255	10,000	7,107,628
Vehicles	1,326,228	183,633	71,717	1,438,144
Construction in Progress	6,047,969	18,429,157	18,306,270	6,170,856
Total General Fixed Assets	\$26,669,320	\$37,597,903	\$18,418,398	\$45,848,825

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 9 - Contractual Commitments

As of June 30, 1999, the Kent City School District had the following contractual commitments outstanding:

Project	Contract Amount	Amount paid as of June 30, 1999	Amount remaining on Contract
New Middle School	\$17,898,087	\$16,082,388	\$1,815,699
RHS Renovations	2,257,221	2,223,882	33,339
Davey Renovations	285,000	89,031	195,969
Power Wiring	39,001	0	39,001
Roofing	65,380	0	65,380
Paving	126,765	0	126,765
Fire Alarm Upgrade	60,770	15,000	45,770
Library Automation	41,900	18,855	23,045
Total	<u>\$20,774,124</u>	<u>\$18,429,156</u>	<u>\$2,344,968</u>

Note 10 - Risk Management

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the School District contracted with Crum & Forster Insurance Company for property, general liability, and inland marine insurance. Travelers Insurance Company covers boiler and machinery with a \$30,000,000 single occurrence limit and a \$1,000 deductible. Vehicles are covered by Nationwide Mutual Fire Insurance Company and have a \$50 deductible for comprehensive and a \$250 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Professional liability is protected by Nationwide Mutual Insurance Company with a \$2,000,000 single occurrence limit and a \$5,000,000 annual policy and no deductible and \$5,000,000 per occurrence umbrella policy.

There have been no significant reductions in insurance coverage from last year. Settled claims have not exceeded this commercial coverage in any of the past four years.

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District has elected to provide employee medical/prescription drug/surgical/dental benefits through a self-insurance program, effective October 1, 1994. The School District maintains a self-insurance internal service fund to account for and finance this program. This plan provides a medical/prescription drug/surgical/dental plan with a \$200 per person major medical and a 10 percent (\$10 maximum) per prescription deductible for eligible personnel. Klais & Company, Inc. reviews all claims and administers the payment of claims for the School District.

The School District pays, into the self insurance internal service fund, monthly premium rates as follows:

	Family Coverage	Single Coverage
Noncertificated Personnel	\$479.27	\$206.31
Certificated Personnel	469.47	202.09

The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Certificated personnel pay through payroll deduction 18.33 percent of the premium cost up to a maximum of \$110 per month. Effective January 1, 1999, certificated personnel pay a premium of 20 percent of the premium cost up to a maximum of \$125 per month. Noncertificated personnel pay through payroll deduction 16.66 percent of the premium up to \$90 per month. Effective January 1, 1999, each noncertificated employee pays 18.33 percent of the premium up to a maximum of \$110 per month. All new hires (effective January 1, 1994 for certificated and January 1, 1995 for noncertificated) pay 20 percent of the premium to a maximum of \$125 per month. These payroll deduction premiums are also paid into the self-insurance internal service fund.

The claims liability of \$183,648 reported in the internal service fund at June 30, 1999, was estimated by a third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense. Changes in the fund's claims liability amount in 1998 and 1999 were:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
1998	\$114,858	\$1,812,642	\$1,751,445	\$176,055
1999	176,055	1,681,459	1,673,866	183,648

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the Kent City School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$299,754, \$404,163, and \$416,695, respectively. 80.83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$57,468 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

Kent City School District contributes to the School 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. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. 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 to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,011,191, \$1,712,737, and \$1,883,067 respectively. 82.73 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$174,608 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 12 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated 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 System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District this amount equaled \$1,348,255 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 1999 fiscal year equaled \$299,209.

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 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 - Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn two to thirty days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees and

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

administrators upon termination of employment. Teachers and most administrators do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated without limit. Upon retirement, classified employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 120 days, and one-twentieth of accumulated sick leave beyond 120 days, to a maximum accumulation of 200 days. Upon retirement, a certificated employee or administrator is paid for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 160 days, and one-ninth of accumulated sick leave beyond 160 days, to a maximum accumulation of 216 days.

B. Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Sun Life Assurance Company, in an amount of either \$30,000 or \$35,000, depending upon the employee's length of service.

Note 14 - Interfund Transactions

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables:

Fund Type/Fund	Receivable	Payable
General Fund	\$14,850	\$0
Special Revenue Funds:		
Swimming Pool	0	2,000
Miscellaneous Federal Grants	0	4,850
Total Special Revenue Funds	0	6,850
Food Service Enterprise Fund	0	8,000
Total	<u>\$14,850</u>	<u>\$14,850</u>

Note 15 - Jointly Governed Organizations

The North East Ohio Network for Educational Technology (NEONET) is a jointly governed organization among sixteen school districts and the Summit County Educational Service Center formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating school district is limited to its representation on the assembly, which elects the board of directors, who exercises total control over the operation of NEONET including budgeting, appropriating, contracting and designating management. The seven member board of directors consists of four superintendents, two members of the treasurers' committee and one member of the student services subcommittee. All revenues are generated from an annual fee of \$7.70 per student to participating districts and State funding. The Summit County Educational Service Center is the fiscal agent of NEONET.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

The Vocational Compact is a jointly governed organization to provide for the vocational and special education needs of the students of six participating school districts. The six member board consists of the superintendent from each of the participating school districts. Students may attend any vocational or special education class offered by any of the six districts. If a student elects to attend a class offered by a school district other than the school district in which the student resides, the school district of residence pays an instructional fee to the school district that offered the class. Cuyahoga Falls City School District serves as the fiscal agent for this agreement, collecting and distributing payments. All revenues are generated from charges for services. Kent City School District paid \$29,193 to the Vocational Compact for services during fiscal year 1999.

Note 16 - Related Organization

The Kent Free Library is a related organization to Kent City School District. The School Board members are responsible for appointing all the trustees of the Kent Free Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to Kent City School District. Kent City School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, Kent City School District must place the levy on the ballot. The Library determines its own budget. The Library did not receive any funding from Kent City School District during fiscal year 1999.

Note 17 - Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Post President of the OSBA.

The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 18 - Capitalized Leases - Lessee Disclosure

In the current fiscal year the School District entered into a capitalized lease for a copier and in prior years, the School District entered into capitalized leases for seven copiers. The lease agreements are accounted for on a GAAP basis as a capital outlay expenditure in the capital projects funds with an offsetting amount reported as an other financing source.

The leases met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$70,303. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

long-term obligations account group. Principal payments in fiscal year 1999 totaled \$32,815 in the governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTOAG
2000	
2001	25,205
2002	25,205
2003	4,201
Total	54,611
Less: Amount Representing Interest	(4,623)
Present Value of Net Minimum Lease Payments	\$49,988

Note 19 - Long-Term Debt

The changes in long-term obligations of the School District during the 1999 fiscal year were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds				
Energy Conservation Improvement 6.15%	\$565,000	\$0	\$100,000	\$465,000
Additions/Equipment 6 7/8%	105,000	0	105,000	0
Energy Conservation Improvement 5.25%	496,000	0	61,000	435,000
School Improvement 5.09%	3,500,000	0	120,000	3,380,000
School Improvement 5.81%	17,886,185	0	300,000	17,586,185
Total General Obligation Bonds	22,552,185	0	686,000	21,866,185
Capital Leases:				
Xerox Copier - Board of Education	0	12,500	12,500	0
Xerox Copier - Roosevelt High School	33,757	0	9,755	24,002
Xerox Copier - Davey Middle School	36,546	0	10,560	25,986
Total Capital Leases	70,303	12,500	32,815	49,988
Pension Obligation	313,978	355,594	313,978	355,594

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Compensated Absences	1,300,145	524,925	403,932	1,421,138
Total General Long-Term Obligations	\$24,236,611	\$893,019	\$1,436,725	\$23,692,905

General obligation bonds will be paid from tax revenues in the debt service fund. Compensated absences and the pension obligation, which represents contractually required pension contributions paid outside the available period, will be paid from the fund from which the person is paid.

The legal debt margin of the School District as of June 30, 1999, was \$13,190,073. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2000	615,000	1,145,709	1,760,709
2001	673,000	1,114,824	1,787,824
2002	806,000	1,078,631	1,884,631
2003	863,000	1,037,209	1,900,209
2004	772,000	996,835	1,768,835
2005-2009	2,946,679	5,606,034	8,552,713
2010-2014	4,540,506	3,865,464	8,405,970
2015-2019	6,215,000	2,159,422	8,374,422
2020-2022	4,435,000	373,001	4,808,001
Total	\$21,866,185	\$17,377,129	\$39,243,314

Note 20 - Segment Information for Enterprise Funds

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Kent City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$471,910	\$84,286	\$49,610	\$605,806
Depreciation	9,330	0	0	9,330
Operating Loss	(312,647)	(20,195)	(47,674)	(380,516)
Donated Commodities	31,739	0	0	31,739
Operating Grants	317,329	0	10,618	327,947
Operating Transfers In	0	22,500	35,000	57,500
Net Income (Loss)	37,653	2,305	(2,056)	37,902

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Net Working Capital	12,165	5,778	(17,221)	722
Total Assets	133,232	7,784	1,011	142,027
Total Equity (Deficit)	(25,963)	5,778	(17,221)	(37,406)
Encumbrances, June 30, 1999	29,945	2,128	701	32,774

Note 21 - Contingencies

A. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 22 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$9,895,303 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 23 - Set-Aside Requirements

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside for budget if the School District's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve.

The following information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

	Textbooks	Capital Improvements	Budget Reserve
Set-aside balance carried forward July 1, 1998	\$0	\$0	\$185,694
Current year set-aside requirement	434,106	434,106	217,053
Qualifying expenditures	(568,228)	(1,268,614)	0
Total	<u>(134,122)</u>	<u>(834,508)</u>	<u>402,747</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$402,747</u>

Although the School District had qualifying expenditures during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

Note 24 - Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

note

Kent City School District has completed an inventory of computer systems and other equipment necessary to conduct School District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting, through the State's Education Management and Information System (EMIS). The School District has eight school buildings with power, heating and air conditioning systems. The School District is confident with Year 2000 issues in all of the above mentioned areas.

The School District uses the State of Ohio Uniform Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

Kent City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through EMIS. The State is responsible for remediating these systems.

Property tax billing, collection and remittance for the School District is handled by Portage County. The County is responsible for remediating this system, and is solely responsible for any associated costs.

The School District utilizes third party administrator organizations to provide computer services (EDP processing), and Medical and Dental Claims processing. In addition, its banking institution provides financial transactions for the School District. The School District has obtained assurances from these organizations or institutions that they have achieved Year 2000 compliance.

The Ohio Edison Company provides the electricity to the School District and is responsible for compliance and any associated costs.

To the best of management's knowledge and belief, as of January 18, 2000, the School District experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the School District does business may also experience Year 2000 readiness issues that are as yet, unknown.

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 1999

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity's Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	10.550	-		\$31,324		\$31,324
National School Breakfast Program	10.553	05-PU 99	36,172		36,172	
National School Lunch Program	10.555	03-PU 99	215,214		215,214	
Total Department of Agriculture - Nutrition Cluster			251,386	31,324	251,386	31,324
U.S. DEPARTMENT OF JUSTICE						
<i>Passed Through City of Kent, Ohio</i>						
Standing Tall 1997	16.592	-	0	0	571	0
U.S. DEPARTMENT OF LABOR						
<i>Passed Through Portage Private Industry Council:</i>						
Job Training Partnership Act 1995	17.250	-	0	0	2,995	0
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education - State Grant Program	84.002	AB-S1 98	(5,658)		71	
		AB-S1 98C	5,658		4,686	
		AB-S1 99	44,648		44,648	
			44,648	0	49,405	0
Title I Grants to Local Educational Agencies	84.010	C1-S1 98	9,724		94,037	
		C1-S1 98C	51,456		51,457	
		C1-S1 99	679,448		569,886	
			740,628	0	715,380	0
Special Education Cluster						
Title I Grants to Local Educational Agencies	84.027	6B-SF 98	21,888		30,887	
		6B-SF 99	221,068		161,274	
		6B-PM99P	25,000		24,525	
		6B-PM98P	(73)		555	
			267,883	0	217,241	0
Ed Handicapped - Preschool	84.173	PG-S1 99	25,857	0	20,159	0
Total Special Education Cluster			293,740	0	237,400	0
Emergency Immigrant Education Grant	84.162	-	2,546	0	1,414	0
Drug Free School Grant	84.186	DR-S1 98	(8,767)		(2,387)	
		DR-S1 98C	8,767		3,425	
		DR-S1 99	20,792		16,904	
			20,792	0	17,942	0
GOALS 2000	84.276	G2-S2 97C	(12,395)		200	
		G2-S4 98	(14)		1,185	
		G2-S4 99	3,000		1,636	
		-	40,000		40,000	
			30,591	0	43,021	0
Eisenhower Professional Development Title II	84.281	MS-S1 93			1	
		MS-S1 94			185	
		MS-S1 95			1,317	
		MS-S1 96			3,435	
		MS-S1 97	14,518		4,966	
		MS-S1 98	16,116		1,958	
			30,634	0	11,862	0

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 1999 (Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity's Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
Innovative Education Program Strategies Title VI	84.298	C2-S1 97C	(431)		(431)	
		C2-S1 98	(1,376)		449	
		C2-S1 98C	1,376		1,376	
		C2-S1 99	16,772		10,496	
			<u>16,341</u>	<u>0</u>	<u>11,890</u>	<u>0</u>
Total passed through Ohio Department of Education			1,179,920	0	1,088,314	0
Passed Through University of Akron						
Even Start	84.213	EV-S1 99	33,050	0	22,250	0
Passed Through the Six District Educational Compact						
Vocational Education	84.048	-	72,303	0	65,161	0
Passed Through the Summit County Educational Service Center						
GOALS 2000 - Local Prof Dev.	84.276	-	210	0	210	0
Technology Innovation Challenge	84.303	-	8,731		7,886	
		-	1,080		1,080	
		-	4,834		10,178	
		-	15,033		15,777	
			<u>29,678</u>	<u>0</u>	<u>34,921</u>	<u>0</u>
Total passed through the Six district Educational Compact			29,888	0	35,131	0
Direct						
E-Rate	84.XXX	-	12,638	0	0	0
Total U.S. Department of Education			1,327,799	0	1,210,856	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through Ohio Department of Education:						
Jobs Reimbursements	93.561	JB-S1 97	381	0	381	0
Total Federal Awards			<u>\$1,579,566</u>	<u>\$31,324</u>	<u>\$1,466,189</u>	<u>\$31,324</u>

The accompanying notes to this schedule are an integral part of this schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
June 30, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department Of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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

Kent City School District
Portage County
321 North Depeyster Street
Kent, Ohio 44240

To the Board of Education:

We have audited the financial statements of Kent City School District, Portage County, as of and for the year ended June 30, 1999, and have issued our report thereon dated January 18, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Kent City School 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*.

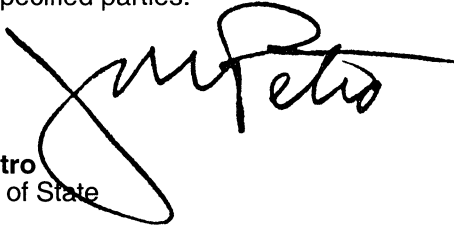
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kent City School 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 Kent City School District in a separate letter dated January 18, 2000.

This report is intended for the information of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized, circular scribble.

Jim Petro
Auditor of State

January 18, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kent City School District
Portage County
321 North Depeyster Street
Kent, Ohio 44240

To the Board of Education:

Compliance

We have audited the compliance of Kent City School District, Portage County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. Kent City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Kent City School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

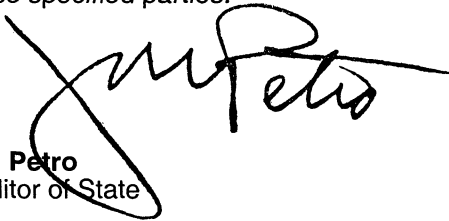
In our opinion, Kent City School District, Portage County, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The Management of Kent City School District, Portage County, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kent City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

January 18, 2000



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OFFICE OF THE AUDITOR

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KENT CITY SCHOOL DISTRICT, PORTAGE 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.

By: *Susan Babbitt*

Date: FEB 24 2000