

Audit Report

July 1, 2000 through June 30, 2001



KENT CITY SCHOOL DISTRICT PORTAGE COUNTY





STATE OF OHIO
OFFICE OF THE AUDITOR

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To the Board of Education
Kent City School District
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Kent, Ohio 44240

We have reviewed the Independent Auditor's Report of the Kent City School District, Portage County, prepared by Moore, Stephens, Apple, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Kent City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

February 14, 2002

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KENT CITY SCHOOL DISTRICT - PORTAGE COUNTY
Audit Report - June 30, 2001

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Report of Independent Auditors

To the Board of Education
Kent City School District
Kent, Ohio 44240

We have audited the accompanying general purpose financial statements of the Kent City School District as of and for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the Kent City School District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 Kent City School District as of June 30, 2001 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2001 on our consideration of the Kent City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Kent City School District, taken as a whole. The accompanying schedule of expenditures of federal awards 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.

Moore Stephens Apple

Akron, Ohio
December 3, 2001

**Kent City School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Expendable Trust and Agency	General	Fixed Assets	Long-Term Obligations	General	Fixed Assets	Long-Term Obligations	
ASSETS AND OTHER DEBITS:														
Assets:														
Equity in Pooled Cash and Cash Equivalents	\$8,921,891	\$755,391	\$381,525	\$808,341	\$55,715	\$500,405	\$74,359	\$0	\$0	\$0	\$0	\$0	\$0	\$11,497,627
Receivables														
Taxes	18,340,399	0	1,764,072	0	0	0	0	0	0	0	0	0	0	20,104,471
Accounts	1,366	14,400	0	0	4,437	0	0	0	0	0	0	0	0	20,203
Intergovernmental	33,001	300	0	0	0	0	0	0	0	0	0	0	0	33,301
Interest	65,230	0	0	0	0	0	0	0	0	0	0	0	0	65,230
Interfund	67,913	0	0	0	0	0	0	0	0	0	0	0	0	67,913
Inventory Held For Resale	0	0	0	0	19,234	0	0	0	0	0	0	0	0	19,234
Materials and Supplies														
Inventory	65,535	0	0	0	3,469	0	0	0	0	0	0	0	0	69,004
Fixed Assets (Net where applicable, of Accumulated Depreciation)	0	0	0	0	16,202	0	0	53,666,779	0	0	0	0	0	53,682,981
Other Debits:														
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	381,525
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	0	0	0	0	0	0	22,990,460
Total Assets and Other Debits	<u>\$27,495,335</u>	<u>\$770,091</u>	<u>\$2,145,597</u>	<u>\$808,341</u>	<u>\$99,057</u>	<u>\$500,405</u>	<u>\$74,359</u>	<u>\$53,666,779</u>	<u>\$23,371,985</u>	<u>\$23,371,985</u>	<u>\$0</u>	<u>\$22,990,460</u>	<u>\$0</u>	<u>\$108,931,949</u>

(Continued)

The accompanying notes are an integral part of these statements.

Kent City School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Expendable Trust and Agency	General Fixed Assets	Long-Term Obligations	General	Fixed	Assets	Obligations	
LIABILITIES, FUND EQUITY AND OTHER CREDITS:														
Liabilities:														
Accounts Payable	195,607	115,528	0	51,810	5,069	0	1,723	0	0	0	0	0	0	369,737
Accrued Wages and Benefits	2,324,075	186,410	0	0	32,598	0	0	0	0	0	0	0	0	2,543,083
Compensated Absences Payable	224,549	90	0	0	78,716	0	0	0	0	1,481,880	0	0	0	1,785,235
Special Termination Benefits Payable	303,216	0	0	0	0	0	0	0	0	0	0	0	0	303,216
Intergovernmental Payable	576,911	38,101	0	0	19,292	0	0	0	0	370,319	0	0	0	1,004,623
Interfund Payable	0	34,913	0	500	32,500	0	0	0	0	0	0	0	0	67,913
Due to Students	0	0	0	0	0	0	0	62,749	0	0	0	0	0	62,749
Deferred Revenue	17,627,019	0	1,681,858	0	3,463	0	0	0	0	0	0	0	0	19,312,340
Undistributed Monies	0	0	0	0	0	0	0	9,887	0	0	0	0	0	9,887
Claims Payable	0	0	0	0	0	249,575	0	0	0	0	0	0	0	249,575
Capital Lease Payable	0	0	0	0	0	0	0	0	0	941,601	0	0	0	941,601
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	0	20,578,185	0	0	0	20,578,185
Total Liabilities	21,251,377	375,042	1,681,858	52,310	171,638	249,575	74,359	0	23,371,985	0	0	0	0	47,228,144

(Continued)

The accompanying notes are an integral part of these statements.

**Kent City School District
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Expendable Trust and Agency	Account Groups			
								General Fixed Assets	Long-Term Obligations		
Fund Equity and Other Credits:											
Investment in General Fixed Assets	0	0	0	0	0	0	0	53,666,779	0	0	53,666,779
Retained Earnings - Unreserved	0	0	0	0	(72,581)	250,830	0	0	0	0	178,249
Fund Balances											
Reserved for Property Taxes	713,380	0	82,214	0	0	0	0	0	0	0	795,594
Reserved For Inventory	65,535	0	0	0	0	0	0	0	0	0	65,535
Reserved for Encumbrances	353,790	120,631	0	530,248	0	0	0	0	0	0	1,004,669
Unreserved - Undesignated	5,111,253	274,418	381,525	225,783	0	0	0	0	0	0	5,992,979
Total Fund Equity and Other Credits	6,243,958	395,049	463,739	756,031	(72,581)	250,830	0	53,666,779	0	0	61,703,805
Total Liabilities, Fund Equity and Other Credits	\$27,495,335	\$770,091	\$2,145,597	\$808,341	\$99,057	\$500,405	\$74,359	\$53,666,779	\$23,371,985	\$108,931,949	

(Continued)

The accompanying notes are an integral part of these statements.

**Kent City School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Fund
 For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
				Fund Type		
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
REVENUE:						
Taxes	\$15,921,845	\$0	\$1,423,158	\$0	\$0	\$17,345,003
Tuition and Fees	421,608	14,400	0	0	0	436,008
Intergovernmental	13,972,135	2,077,162	164,387	245,811	0	16,459,495
Interest	842,089	739	0	25,836	0	868,664
Extracurricular Activities	0	304,718	0	0	30,330	335,048
Charges for Services	17,102	0	0	0	0	17,102
Other	100,857	278,313	0	0	9,475	388,645
Total Revenues	<u>31,275,636</u>	<u>2,675,332</u>	<u>1,587,545</u>	<u>271,647</u>	<u>39,805</u>	<u>35,849,965</u>
EXPENDITURES:						
Current						
Instruction						
Regular	14,626,178	428,163	0	116,341	39,805	15,210,487
Special	2,680,720	860,216	0	0	0	3,540,936
Vocational	1,694,678	139,475	0	0	0	1,834,153
Other Instruction	189,707	0	0	0	0	189,707
Adult Continuing Education	0	123,657	0	0	0	123,657
Support Services						
Pupil	1,792,140	135,492	0	0	0	1,927,632
Instructional Staff	1,838,467	636,569	0	383	0	2,475,419
Board of Education	212,095	0	0	0	0	212,095
Administration	2,542,468	10,846	0	0	0	2,553,314
Fiscal	671,277	0	23,870	0	0	695,147
Business	425,375	0	0	0	0	425,375
Operation and Maintenance of Plant	2,818,245	1,353	0	56,843	0	2,876,441
Pupil Transportation	1,430,011	24,853	0	0	0	1,454,864
Central	190,150	29,397	0	111,278	0	330,825
Operation of Non-						
Instructional Services	63,057	217,436	0	0	0	280,493
Extracurricular Activities	513,611	278,763	0	0	0	792,374
Debt Service						
Principal and Interest	0	0	1,787,824	0	0	1,787,824
Facilities Acquisition and Construction	130,453	0	0	853,779	0	984,232
Capital Outlay	0	15,887	0	0	0	15,887
Total Expenditures	<u>31,818,632</u>	<u>2,902,107</u>	<u>1,811,694</u>	<u>1,138,624</u>	<u>39,805</u>	<u>37,710,862</u>
Revenues Over (Under)						
Expenditures	<u>(542,996)</u>	<u>(226,775)</u>	<u>(224,149)</u>	<u>(866,977)</u>	<u>0</u>	<u>(1,860,897)</u>

(Continued)

The accompanying notes are an integral part of these statements.

**Kent City School District
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Fund
 For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Fund Type Expendable Trust
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of assets	\$400	\$0	\$0	\$6,000	\$0	\$6,400
Refund of prior year receipts	0	0	0	0	0	0
Refund of prior year expenditures	102,264	0	0	128,987	0	231,251
Advances - In	27,600	0	0	0	0	27,600
Advances - Out	(27,600)	0	0	0	0	(27,600)
Operating Transfers - In	402,747	94,148	221,029	420,000	0	1,137,924
Operating Transfers - Out	(1,167,426)	0	0	0	0	(1,167,426)
Other	0	(4,994)	0	0	0	(4,994)
Total Other Financing Sources (uses)	<u>(662,015)</u>	<u>89,154</u>	<u>221,029</u>	<u>554,987</u>	<u>0</u>	<u>203,155</u>
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,205,011)	(137,621)	(3,120)	(311,990)	0	(1,657,742)
Decrease in Reserve For Inventory	(1,066)	0	0	0	0	(1,066)
Fund Balances at Beginning of Year	<u>7,450,035</u>	<u>532,670</u>	<u>466,859</u>	<u>1,068,021</u>	<u>0</u>	<u>9,517,585</u>
Fund Balances at End of Year	<u><u>\$6,243,958</u></u>	<u><u>\$395,049</u></u>	<u><u>\$463,739</u></u>	<u><u>\$756,031</u></u>	<u><u>\$0</u></u>	<u><u>\$7,858,777</u></u>

The accompanying notes are an integral part of these statements.

Kent City School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 16,076,153	\$ 16,076,153	\$ -
Tuition and Fees	899,843	899,843	-
Transportation Fees	14,723	14,723	-
Intergovernmental	13,984,557	13,984,557	-
Interest	850,132	850,936	804
Extracurricular Activities	-	-	-
Classroom Materials & Fees	17,102	17,102	-
Contributions & Donations	-	-	-
Rentals	-	-	-
Other	110,116	111,298	1,182
Total Revenues	<u>31,952,626</u>	<u>31,954,612</u>	<u>1,986</u>
EXPENDITURES:			
Current			
Instruction			
Regular	14,493,168	14,493,168	-
Special	2,708,745	2,708,745	-
Vocational	1,721,403	1,721,403	-
Adult Continuing	-	-	-
Other	360,897	360,897	-
Support Services			
Pupil	1,784,905	1,784,905	-
Instructional Staff	1,891,123	1,891,123	-
Board of Education	214,385	214,385	-
Administration	2,520,791	2,520,791	-
Fiscal	671,086	671,086	-
Business	426,493	426,493	-
Operation and Maintenance of Plant	2,959,395	2,959,395	-
Pupil Transportation	1,465,005	1,465,005	-
Central	207,297	207,297	-
Food Service Operations	-	-	-
Community Services	53,620	53,620	-
Extracurricular Activities	549,509	549,509	-
Facilities Acquisition & Construction	136,845	136,845	-
Debt Service	-	-	-
Principal Retirement and Interest	-	-	-
Total Expenditures	<u>32,164,667</u>	<u>32,164,667</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(212,041)</u>	<u>(210,055)</u>	<u>1,986</u>
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	400	400	-
Advances - In	27,600	27,600	-
Advances - Out	(67,913)	(67,913)	-
Refund of Prior Year Expenditures	100,199	100,199	-
Refund of Prior Year Receipt	-	-	-
Operating Transfers - In	402,747	402,747	-
Operating Transfers - Out	(1,167,426)	(1,167,426)	-
Money on Behalf of Other Govt.	-	-	-
Proceeds/Premium on Sale of Notes	-	-	-
Total Other Financing Sources (Uses)	<u>(704,393)</u>	<u>(704,393)</u>	<u>-</u>
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(916,434)</u>	<u>(914,448)</u>	<u>1,986</u>
Fund Balances at Beginning of Year	8,775,007	8,775,007	-
Prior Year Encumbrances	490,705	490,705	-
Fund Balances at End of Year	<u>\$ 8,349,278</u>	<u>\$ 8,351,264</u>	<u>\$ 1,986</u>

The accompanying notes are an integral part of these statements.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,422,180	\$ 1,422,180	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
2,220,564	2,225,101	4,537	164,387	164,387	-
1,248	1,248	-	-	-	-
306,144	306,144	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
151,151	151,151	-	-	-	-
<u>2,679,107</u>	<u>2,683,644</u>	<u>4,537</u>	<u>1,586,567</u>	<u>1,586,567</u>	<u>-</u>
437,038	437,038	-	-	-	-
873,598	873,598	-	-	-	-
50,769	50,769	-	-	-	-
124,636	124,636	-	-	-	-
-	-	-	-	-	-
131,711	131,711	-	-	-	-
623,617	623,617	-	-	-	-
-	-	-	-	-	-
10,761	10,761	-	-	-	-
-	-	-	23,870	23,870	-
-	-	-	-	-	-
1,353	1,353	-	-	-	-
25,257	25,257	-	-	-	-
30,105	30,105	-	-	-	-
-	-	-	-	-	-
268,491	268,491	-	-	-	-
256,046	256,046	-	-	-	-
65,878	65,878	-	-	-	-
-	-	-	1,787,824	1,787,824	-
<u>2,899,260</u>	<u>2,899,260</u>	<u>-</u>	<u>1,811,694</u>	<u>1,811,694</u>	<u>-</u>
(220,153)	(215,616)	4,537	(225,127)	(225,127)	-
-	-	-	-	-	-
34,913	34,913	-	-	-	-
(8,600)	(8,600)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
59,858	59,858	-	221,029	221,029	-
-	-	-	-	-	-
(4,994)	(4,994)	-	-	-	-
-	-	-	-	-	-
<u>81,177</u>	<u>81,177</u>	<u>-</u>	<u>221,029</u>	<u>221,029</u>	<u>-</u>
(138,976)	(134,439)	4,537	(4,098)	(4,098)	-
452,458	452,458	-	385,624	385,624	-
138,415	138,415	-	-	-	-
<u>\$ 451,897</u>	<u>\$ 456,434</u>	<u>\$ 4,537</u>	<u>\$ 381,526</u>	<u>\$ 381,526</u>	<u>\$ -</u>

Kent City School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget Basis and Actual
All Governmental Fund Types - Continued
For the Fiscal Year Ended June 30, 2001

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Tuition and Fees	-	-	-
Transportation Fees	-	-	-
Intergovernmental	245,811	245,811	-
Interest	23,045	23,132	87
Extracurricular Activities	-	-	-
Classroom Materials & Fees	-	-	-
Contributions & Donations	-	-	-
Rentals	-	-	-
Other	-	-	-
Total Revenues	<u>268,856</u>	<u>268,943</u>	<u>87</u>
EXPENDITURES:			
Current			
Instruction			
Regular	118,067	118,067	-
Special	-	-	-
Vocational	-	-	-
Adult Continuing	-	-	-
Other	-	-	-
Support Services			
Pupil			
Instructional Staff	383	383	-
Board of Education	-	-	-
Administration	-	-	-
Fiscal	-	-	-
Business	-	-	-
Operation and Maintenance of Plant	89,093	89,093	-
Pupil Transportation	100	100	-
Central	176,153	176,153	-
Food Service Operations	-	-	-
Community Services	-	-	-
Extracurricular Activities	-	-	-
Facilities Acquisition & Construction	1,784,856	1,784,856	-
Debt Service			
Principal Retirement and Interest	-	-	-
Total Expenditures	<u>2,168,652</u>	<u>2,168,652</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(1,899,796)</u>	<u>(1,899,709)</u>	<u>87</u>
OTHER FINANCING SOURCES (USES):			
Sale of Fixed Assets	6,000	6,000	-
Advances - In	500	500	-
Advances - Out	-	-	-
Refund of Prior Year Expenditures	128,987	128,987	-
Refund of Prior Year Receipt	-	-	-
Operating Transfers - In	583,132	583,132	-
Operating Transfers - Out	(163,132)	(163,132)	-
Money on Behalf of Other Govt.	-	-	-
Proceeds/Premiums on Sale of Notes	-	-	-
Total Other Financing Sources (Uses)	<u>555,487</u>	<u>555,487</u>	<u>-</u>
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,344,309)</u>	<u>(1,344,222)</u>	<u>87</u>
Fund Balances at Beginning of Year	228,233	228,233	-
Prior Year Encumbrances	1,342,274	1,342,274	-
Fund Balances at End of Year	<u>\$ 226,198</u>	<u>\$ 226,285</u>	<u>\$ 87</u>

The accompanying notes are an integral part of these statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 17,498,333	\$ 17,498,333	\$ -
899,843	899,843	-
14,723	14,723	-
16,615,319	16,619,856	4,537
874,425	875,316	891
306,144	306,144	-
17,102	17,102	-
-	-	-
-	-	-
261,267	262,449	1,182
<u>36,487,156</u>	<u>36,493,766</u>	<u>6,610</u>
15,048,273	15,048,273	-
3,582,343	3,582,343	-
1,772,172	1,772,172	-
124,636	124,636	-
360,897	360,897	-
1,916,616	1,916,616	-
2,515,123	2,515,123	-
214,385	214,385	-
2,531,552	2,531,552	-
694,956	694,956	-
426,493	426,493	-
3,049,841	3,049,841	-
1,490,362	1,490,362	-
413,555	413,555	-
-	-	-
322,111	322,111	-
805,555	805,555	-
1,987,579	1,987,579	-
1,787,824	1,787,824	-
<u>39,044,273</u>	<u>39,044,273</u>	<u>-</u>
<u>(2,557,117)</u>	<u>(2,550,507)</u>	<u>6,610</u>
6,400	6,400	-
63,013	63,013	-
(76,513)	(76,513)	-
229,186	229,186	-
-	-	-
1,266,766	1,266,766	-
(1,330,558)	(1,330,558)	-
(4,994)	(4,994)	-
-	-	-
<u>153,300</u>	<u>153,300</u>	<u>-</u>
(2,403,817)	(2,397,207)	6,610
9,841,322	9,841,322	-
<u>1,971,394</u>	<u>1,971,394</u>	<u>-</u>
<u>\$ 9,408,899</u>	<u>\$ 9,415,509</u>	<u>\$ 6,610</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, 2001

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
OPERATING REVENUES:			
Sales	\$616,458	\$0	\$616,458
Tuition	61,038	0	61,038
Charges for Services	<u>0</u>	<u>2,612,179</u>	<u>2,612,179</u>
Total Operating Revenues	<u>677,496</u>	<u>2,612,179</u>	<u>3,289,675</u>
OPERATING EXPENSES:			
Salaries and Wages	219,517	0	219,517
Fringe Benefits	46,330	0	46,330
Contract Services	693,905	0	693,905
Cost of Sales	116,743	0	116,743
Claims	0	3,271,778	3,271,778
Depreciation	<u>7,763</u>	<u>0</u>	<u>7,763</u>
Total Operating Expenses	<u>1,084,258</u>	<u>3,271,778</u>	<u>4,356,036</u>
Operating Loss	<u>(406,762)</u>	<u>(659,599)</u>	<u>(1,066,361)</u>
NON-OPERATING REVENUES:			
Donated Commodities	54,883	0	54,883
Operating Grants	301,819	0	301,819
Interest	992	0	992
Other	<u>7,594</u>	<u>21,000</u>	<u>28,594</u>
Total Non-Operating Revenues	<u>365,288</u>	<u>21,000</u>	<u>386,288</u>
Net Loss Before Operating Transfers	(41,474)	(638,599)	(680,073)
Operating Transfers In	29,500	0	29,500
Refund of Prior Year Receipts	(578)	0	(578)
Refund of Prior Year Expenditures	<u>0</u>	<u>218,690</u>	<u>218,690</u>
Net Loss	(12,552)	(419,909)	(432,461)
Retained Earnings at Beginning of Year	<u>(60,029)</u>	<u>670,739</u>	<u>610,710</u>
Retained Earnings at End of Year	<u><u>\$(72,581)</u></u>	<u><u>\$250,830</u></u>	<u><u>\$178,249</u></u>

The accompanying notes are an integral part of these statements.

Kent City School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Equity - Budget Basis and Actual
Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES			
Tuition and Fees	\$ 74,724	\$ 74,724	\$ -
Sales	526,232	526,232	-
Interest	992	992	-
Classroom Materials and Fees	92,576	92,576	-
Operating Grants	301,819	301,819	-
Extracurricular Activities	-	-	-
Other	17,099	17,099	-
Total Revenues	1,013,442	1,013,442	-
EXPENDITURES			
Salaries and Wages	224,741	224,741	-
Fringe Benefits	43,942	43,942	-
Purchased Services	735,830	735,830	-
Supplies	106,074	106,074	-
Capital Outlay	1,147	1,147	-
Capital Outlay - Replacement	385	385	-
Other	1,815	1,815	-
Total Expenses	1,113,934	1,113,934	-
Revenues Over (Under) Expenses	(100,492)	(100,492)	-
OTHER FINANCING SOURCES (USES):			
Refund of Prior Year Receipts	(577)	(577)	-
Refund of Prior Year Expenditures	-	-	-
Operating Transfers - In	29,500	29,500	-
Advances - In	32,500	32,500	-
Advances - Out	-	-	-
Total Other Financing Sources (Uses)	61,423	61,423	-
Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(39,069)	(39,069)	-
Fund Balances at Beginning of Year	29,777	29,777	-
Prior Year Encumbrances	37,257	37,257	-
Fund Balances at End of Year	\$ 27,965	\$ 27,965	\$ -

The accompanying notes are an integral part of these statements.

Kent City School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Equity - Budget Basis and Actual
Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001

	Internal Service Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
REVENUES			
Tuition and Fees	\$ -	\$ -	\$ -
Sales	-	-	-
Interest	-	-	-
Classroom Materials and Fees	-	-	-
Operating Grants	21,000	21,000	-
Extracurricular Activities	30,333	30,333	-
Other	2,786,471	2,786,471	-
Total Revenues	2,837,804	2,837,804	-
EXPENDITURES			
Salaries and Wages	68,473	68,473	-
Fringe Benefits	13,943	13,943	-
Purchased Services	3,269,998	3,269,998	-
Supplies	48,534	48,534	-
Capital Outlay	2,246	2,246	-
Capital Outlay - Replacement	-	-	-
Other	-	-	-
Total Expenses	3,403,194	3,403,194	-
Revenues Over (Under) Expenses	(565,390)	(565,390)	-
OTHER FINANCING SOURCES (USES):			
Refund of Prior Year Receipts			
Refund of Prior Year Expenditures	218,690	218,690	-
Operating Transfers - In	25,000	25,000	-
Advances - In	-	-	-
Advances - Out	(19,000)	(19,000)	-
Total Other Financing Sources (Uses)	224,690	224,690	-
Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(340,700)	(340,700)	-
Fund Balances at Beginning of Year	838,770	838,770	-
Prior Year Encumbrances	4,467	4,467	-
Fund Balances at End of Year	\$ 502,537	\$ 502,537	\$ -

The accompanying notes are an integral part of these statements.

Kent City School District
Combined Statement of Revenues, Expenditures, and Changes
in Fund Equity - Budget Basis and Actual
Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Tuition and Fees	\$ 74,724	\$ 74,724	\$ -
Sales	526,232	526,232	-
Interest	992	992	-
Classroom Materials and Fees	92,576	92,576	-
Operating Grants	322,819	322,819	-
Extracurricular Activities	30,333	30,333	-
Other	2,803,570	2,803,570	-
Total Revenues	3,851,246	3,851,246	-
EXPENDITURES			
Salaries and Wages	293,214	293,214	-
Fringe Benefits	57,885	57,885	-
Purchased Services	4,005,828	4,005,828	-
Supplies	154,608	154,608	-
Capital Outlay	3,393	3,393	-
Capital Outlay - Replacement	385	385	-
Other	1,815	1,815	-
Total Expenses	4,517,128	4,517,128	-
Revenues Over (Under) Expenses	(665,882)	(665,882)	-
OTHER FINANCING SOURCES (USES):			
Refund of Prior Year Receipts	(577)	(577)	-
Refund of Prior Year Expenditures	218,690	218,690	-
Operating Transfers - In	54,500	54,500	-
Advances - In	32,500	32,500	-
Advances - Out	(19,000)	(19,000)	-
Total Other Financing Sources (Uses)	286,113	286,113	-
Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(379,769)	(379,769)	-
Fund Balances at Beginning of Year	868,547	868,547	-
Prior Year Encumbrances	41,724	41,724	-
Fund Balances at End of Year	\$ 530,502	\$ 530,502	\$ -

The accompanying notes are an integral part of these statements.

**Kent City School District
 Combined Statement of Cash Flows
 Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001**

	<u>Enterprise Funds</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Cash flows from operating activities:			
Operating loss	\$ (406,762)	\$ (659,599)	\$ (1,066,361)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities			
Depreciation	7,763	-	7,763
Donated commodities in cost of sales	53,984	-	53,984
Change in assets and liabilities that increase (decrease) cash flow from operations			
Accounts receivable	6,824	17,457	24,281
Due from other funds	(488)	64,958	64,470
Material and supplies inventory	(132)	-	(132)
Inventory held for resale	10,413	-	10,413
Accounts payable	(29,889)	-	(29,889)
Accrued wages and benefits	(4,563)	-	(4,563)
Compensated Absences	884	-	884
Intergovernmental payable	1,754	-	1,754
Interfund Payable	32,500	-	32,500
Claims payable	-	2,964	2,964
Net cash used in operating activities	<u>(327,712)</u>	<u>(574,220)</u>	<u>(901,932)</u>
Cash flows from investing activities			
Additions to property, plant and equipment	<u>(2,495)</u>	<u>-</u>	<u>(2,495)</u>
Net cash used in investing activities	<u>(2,495)</u>	<u>-</u>	<u>(2,495)</u>
Cash flows from noncapital financing activities:			
Operating grants received	301,819	21,000	322,819
Other non-operating revenue	7,594	-	7,594
Refund of prior year receipts	(578)	-	(578)
Refund of prior year expenditures	-	218,690	218,690
Operating transfers	29,500	-	29,500
Net cash provided by noncapital financing activities	<u>338,335</u>	<u>239,690</u>	<u>578,025</u>
Net decrease in cash and cash equivalents	8,128	(334,530)	(326,402)
Cash and cash equivalents - beginning of year	<u>47,587</u>	<u>834,935</u>	<u>882,522</u>
Cash and cash equivalents - end of year	<u>\$ 55,715</u>	<u>\$ 500,405</u>	<u>\$ 556,120</u>
Noncash capital, investing and related financing activities			
Donated commodities received	\$ 54,883	\$ -	\$ 54,883

The accompanying notes are an integral part of these financial statements.

KENT CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE A - 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 an 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 eight instructional support facilities staffed by 233 classified employees, and 359 certificated full-time teaching personnel who provide services to 3,663 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

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE A - DESCRIPTION OF THE SCHOOL DISTRICT - Continued

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, Ohio Schools Council, Kent Free Library, and the Ohio School Board Association Workers' Compensation Group Rating Program. These organizations are presented in Note N, Note O and Note P to the general purpose financial statements.

NOTE B - 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.

1. *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.

KENT CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. *Basis Of Presentation - Fund Accounting - Continued*

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).

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.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Basis Of Presentation - Fund Accounting – Continued

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, expendable trust and agency. 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.

2. 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.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *Measurement Focus and Basis of Accounting - Continued*

Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental 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, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 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

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *Measurement Focus and Basis of Accounting - Continued*

expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

3. *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.

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 2001.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Budgetary Data - Continued*

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund 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. The Board of Education has authorized the Treasurer to allocate appropriations among functions and objects within a fund during the fiscal year. 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

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Cash and Cash Equivalents

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

During fiscal year 2001, investments were limited to STAR Ohio, the State Treasurer's Investment Pool and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$842,089, which includes \$126,061 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.

5. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amount required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note V for additional information regarding set-asides.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. 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.

7. 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.

8. 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

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Intergovernmental Revenues - Continued

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
- Professional Development
- Ohio Reads
- Title VI-R
- Character Education
- Alternative Education (Bridges)

Non-Reimbursable Grants

General Fund

- Vocational VEPD Grant

Special Revenue Funds

- Education Management Information Systems
- Title VIB
- Adult Basic Education
- Vocational Education
- Title I
- Title VI
- Drug Free School
- Post-Secondary Vocational Education
- Job Training Partnership Act

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Intergovernmental Revenues - Continued

Jobs Education 60/40
Eisenhower Math & Science
Preschool/Handicapped
Parent Mentor
Federal Challenge

Capital Projects Fund
School Net Plus
Disability Access Project

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 forty-six percent of the School District's governmental funds revenue during the 2001 fiscal year.

9. 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."

10. 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

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Compensated Absences

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.

11. 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.

12. 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

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Interfund Transactions – Continued

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

13. 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.

14. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, budget stabilization and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation 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.

15. 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.

16. Change in Accounting Principles

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenue." At June 30, 2001, there was no effect on beginning fund balance due to this implementation.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE C - FUND DEFICITS

The following funds had a deficit fund balance/retained earnings as of June 30, 2001:

<i>Special Revenue Funds</i>	
Swimming Pool	\$7,640
Post Secondary Education	3,413
Disadvantaged Pupil Impact Aid	11,717
Drug Free Schools	46
Preschool Grant	1,102
<i>Enterprise Funds</i>	
Food Service	80,478
Adult Education	398

The special revenue funds deficits are due to an adjustment for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

The food service and adult education enterprise funds had a deficit retained earnings which are due to adjustments for accrued liabilities. Management is analyzing the operation of the food service and adult education to determine the appropriate action to alleviate the deficits.

NOTE D - 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:

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE D - BUDGETARY BASIS OF ACCOUNTING - Continued

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. The lease purchase agreement principal and interest payment is repaid from the general fund (budget) as opposed to the fund that received the proceeds (GAAP). General fund resources used to pay both principal and interest have been allocated accordingly.

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
GAAP Basis	\$(1,205,011)	\$ (137,621)	\$ (3,120)	\$ (311,990)
Net Adjustment for Revenue Accruals	678,976	8,312	(978)	(2,704)
Net Adjustment for Expenditure Accruals	(346,035)	4,093	0	(1,030,028)
Transfer In	0	56,703	0	0
Transfer Out	0	(22,413)	0	0
Advance In	0	(34,913)	0	500
Advance Out	(40,313)	(8,600)	0	0
Refund of Prior Year Expenditures	(2,065)	0	0	0
Budget Basis	\$ (914,448)	\$ (134,439)	\$ (4,098)	\$ (1,344,222)

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE D - BUDGETARY BASIS OF ACCOUNTING - Continued

**Net Loss/Excess of Revenues and Operating
Transfers Under Expenses and Advances
All Proprietary Fund Types**

	Enterprise	Internal Service
GAAP Basis	\$ (12,552)	\$ (419,909)
Net Adjustment for Revenue Accruals	25,541	204,625
Commodities Received	(54,883)	0
Depreciation	7,763	0
Net Adjustment for Expense Accruals	1,668	(130,516)
Commodities Used	25,893	0
Advance Out	(32,500)	(19,900)
Refund of Prior Year Receipts	1	0
Transfer In	0	25,000
	\$ (39,069)	\$ (340,700)

NOTE E - 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.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE E - DEPOSITS AND INVESTMENTS - Continued

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;
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 obligation 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 (STAR Ohio);
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 moneys 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.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE E - DEPOSITS AND INVESTMENTS - Continued

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 \$8,750 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 \$8,731,101 and the bank balance was \$12,111,973. Of the bank balance, \$225,000 was covered by federal depository insurance and \$11,886,973 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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 STAR Ohio, 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.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE E - DEPOSITS AND INVESTMENTS - Continued

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreements	<u>\$670,000</u>	\$ 670,000	\$ 670,000
STAR Ohio		<u>2,087,776</u>	<u>2,087,776</u>
Total		<u>\$2,757,776</u>	<u>\$2,757,776</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. 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:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$11,497,627	\$ 0
Cash on Hand	(8,750)	0
Investments which are part of a cash management pool:		
Repurchase Agreements	(670,000)	670,000
STAR Ohio	<u>(2,087,776)</u>	<u>2,087,776</u>
GASB Statement 3	<u>\$ 8,731,101</u>	<u>\$2,757,776</u>

NOTE F - 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 property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of

KENT CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE F - PROPERTY TAXES – Continued

calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes. 2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, 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. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$311,780,000	82.98%	\$369,020,910	85.57%
Public Utility Personal	20,720,350	5.53	18,720,330	4.34
Tangible Personal Property	43,155,739	11.49	43,514,980	10.09
Total	\$375,656,089	100.00%	\$431,256,220	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 86.50		\$ 86.60	

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

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE F - PROPERTY TAXES – Continued

payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from 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, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$795,594 and is recognized as revenue. \$713,380 was available to the general fund and \$82,214 was available to the debt service fund.

NOTE G - RISK MANAGEMENT

1. 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 2001, the School District contracted with Indiana 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 Coregis Insurance Company and have a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Professional liability is protected by Nationwide Agribusiness Insurance Company with a \$2,000,000 single occurrence limit and a \$5,000,000 general aggregate limit with no deductible.

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.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE G - RISK MANAGEMENT - Continued

2. *Workers' Compensation*

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note P). 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 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.

3. *Employee Medical Benefits*

The School District has elected to provide employee medical/prescription drug/surgical/dental/vision 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 \$200 per person (family \$400) major medical deductible and a 10 percent (\$10 maximum) per prescription co-pay. 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:

	<u>Family Coverage</u>	<u>Single Coverage</u>
Noncertificated Personnel	\$579.75	\$249.45
Certificated Personnel	579.75	249.45

The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Personnel pay a premium of 17 percent of the premium cost up to a maximum of \$64 per month for single coverage and \$148 for family coverage. These payroll deduction premiums are also paid into the self-insurance internal service fund.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE G - RISK MANAGEMENT - Continued

3. Employee Medical Benefits - Continued

The claims liability of \$249,575 reported in the internal service fund at June 30, 2001, 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 1999, 2000 and 2001 were:

	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance End of Year</u>
1999	\$176,055	1,681,579	1,673,986	\$183,648
2000	\$183,648	2,226,282	2,163,319	\$246,611
2001	\$246,611	3,271,778	3,268,814	\$249,575

NOTE H - RECEIVABLES

Receivables at June 30, 2001, 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:

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE H – RECEIVABLES - Continued

Fund Type/ Fund	Amounts
General Fund	
Drivers Education	\$ 1,240
CAFS Reimbursement	31,761
Total General Fund	\$ 33,001
 Special Revenue Funds	
Tuition Reimbursement	300
Total Special Revenue Funds	300
Total All Funds	\$ 33,301

NOTE I - FIXED ASSETS

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

	Enterprise
Furniture and Equipment	\$ 162,702
Vehicles	26,533
Totals	189,235
Less: Accumulated Depreciation	(173,033)
Net	\$ 16,202

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE I - FIXED ASSETS – Continued

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

	Balance 6/30/00	Additions	Deductions	Balance 6/30/01
Land	\$ 879,835	\$ 0	\$ 0	\$ 879,835
Buildings	31,582,659	1,935,234	13,984	33,503,909
Improvements Other than Buildings	601,600	66,716	0	668,316
Furniture and Equipment	7,591,258	507,811	0	8,099,069
Vehicles	1,578,004	403,945	180,661	1,801,288
Construction in Progress	8,712,522	807,776	805,936	8,714,362
Total General Fixed Assets	\$50,945,878	\$3,721,482	\$1,000,581	\$ 53,666,779

NOTE J - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the Kent City School District had the following contractual commitments outstanding:

Project	Contract Amount	Amount paid as of June 30, 2001	Amount remaining on Contract
New Middle School	\$17,620,657	\$17,509,558	\$111,099
Davey Renovations	3,242,446	3,220,358	22,088
Football Stadium Lighting	120,494	0	120,494
Modular Classroom	60,975	0	60,975
Central School Roof	31,950	0	31,950
Davey Paving Project	15,440	0	15,440
RHS Library Renovation			
General Contractor	51,960	1,840	50,120
Electrical	52,290	0	52,290
Casework	119,094	0	119,094
Total	\$21,315,306	\$20,731,756	\$583,550

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE K - DEFINED BENEFIT PENSION PLANS

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

Plan members are required to contribute 9 percent of their annual covered salary and Kent City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligation with the remainder being used to fund health care benefits; for fiscal year 2001, 5.5 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 7.7 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$254,237, \$252,866, and \$299,754, respectively; 90.81 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$23,364 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds and the general long-term obligations account group.

2. State Teachers' Retirement System

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

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE K - DEFINED BENEFIT PENSION PLANS - Continued

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The Kent City School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,101,131, \$1,057,274, and \$1,011,191 respectively; 83.12 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$185,816 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds.

NOTE L - 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 Systems 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 the 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, 2001, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$1,468,175.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE L - POSTEMPLOYMENT BENEFITS - Continued

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

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, 2001, employer contributions to fund health care benefits were 8.50 percent of covered payroll an increase of 2.2 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$478,620.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$140.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE M - EMPLOYEE BENEFITS

1. Compensated Absences

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

Accumulated unused vacation time is paid to classified employees and 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.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE M - EMPLOYEE BENEFITS - Continued

1. *Compensated Absences – Continued*

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 160 days, and one-ninth of accumulated sick leave beyond 160 days, to a maximum accumulation of 216 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 168 days, and one-ninth of accumulated sick leave beyond 168 days, to a maximum accumulation of 270 days.

2. *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 \$40,000 or \$45,000 for certified, \$40,000 or \$45,000 for non-certified staff, and \$50,000 for four administrators, depending upon the employee's length of service.

NOTE N - JOINTLY GOVERNED ORGANIZATIONS

1. *North East Ohio Network for Educational Technology (NEONET)*

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 \$11.70 per student

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE N - JOINTLY GOVERNED ORGANIZATIONS - Continued

1. *North East Ohio Network for Educational Technology (NEONET) - Continued*

to participating districts and State funding. The Summit County Educational Service Center is the fiscal agent of NEONET. Financial information can be obtained by writing to the Summit County Educational Service Center, 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

2. *Vocational Compact*

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 \$26,000 to the Vocational Compact for services during fiscal year 2001.

3. *Ohio Schools Council*

The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-three school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. During fiscal year 2001, the School District paid \$1,200 to the Council. Financial information can be obtained by contacting Albert G. Vasek, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

The School District participates in the Council's prepaid natural gas program which was implemented during fiscal year 1999. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. Each month these estimated payments are compared to their actual usage and any necessary adjustments are made.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE N - JOINTLY GOVERNED ORGANIZATIONS - Continued

3. *Ohio Schools Council - Continued*

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

NOTE O - 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 2001.

NOTE P - 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 Q - CONTINGENCIES

1. *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

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE Q - CONTINGENCIES - Continued

1. *Grants - Continued*

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, 2001.

2. *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 R - STATE SCHOOL FUNDING DECISION

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 7, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE R - STATE SCHOOL FUNDING DECISION – Continued

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

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

NOTE S - INTERFUND TRANSACTIONS

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivables	Payables
General Fund	\$ 67,913	\$ 0
Special Revenue Funds		
Human Development	0	3,413
Even Start Program	0	31,500
Total Special Revenue Fund	0	34,913
Capital Projects Fund		
NMK Partners	0	500
Total Capital Projects Fund	0	500
Enterprise Fund		
Food Service	0	32,500
Total Enterprise Fund	0	32,500
Total All Funds	\$ 67,913	\$ 67,913

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE T - 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, 2001.

	Food Service	Uniform School Supplies	Adult Education	Total Enterprise Funds
Operating Revenues	\$523,882	\$92,576	\$61,038	\$677,496
Operating Expenses before Depreciation	884,949	86,712	104,834	1,076,495
Depreciation	7,763	0	0	7,763
Operating (Loss) Income	(368,830)	5,864	(43,796)	(406,762)
Operating Grants	289,319	0	12,500	301,819
Net (Loss) Income	(24,214)	5,864	5,798	(12,552)
Net Working Capital	(96,680)	8,295	(398)	(88,783)
Total Assets	70,977	11,342	16,738	99,057
Total Equity (Deficit)	(80,478)	8,295	(398)	(72,581)
Encumbrances, June 30, 2001	37,694	3,048	2,036	42,778

NOTE U - CAPITALIZED LEASES - LESSEE DISCLOSURE

The School District has entered into several capital leases for 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. General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$75,928. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$30,599 in the governmental funds.

The School District has also entered into a capital lease for the renovation of Davey Middle School. As part of the agreement, Fifth Third Banks, as lessor, provided \$1,000,000 for the renovations. General fixed assets being constructed with this lease have been capitalized in the general fixed assets account group in the amount of

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE U - CAPITALIZED LEASES - LESSEE DISCLOSURE - Continued

\$1,000,000 for building as of June 30, 2000. This liability was recorded in the general long-term obligations account group. Principal payment in fiscal year 2001 totaled \$86,886 in the capital projects funds.

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.

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, 2001.

Fiscal Year Ending June 30,	Total
2002	146,437
2003	144,419
2004	144,419
2005	124,988
2006	118,511
2007	118,511
2008	118,511
2009	118,511
2010	55,451
2011	
Total	\$1,089,758
Less: Amount Representing Interest	(148,157)
Present Value of Net Minimum Lease Payments	\$941,601

NOTE V - SET ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE V - SET ASIDE REQUIREMENTS – Continued

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials</u>
Set-aside Reserve Balance as of June 30, 2000	\$ 402,747	\$ 0	\$ 0
Current Year Set-aside Requirement	0	721,825	721,825
BWC Refund spent on Buses	(185,694)	0	0
Elimination of budget stabilization Reserve	(217,053)	0	0
Qualifying Disbursements	0	(1,805,778)	(848,615)
	<u>0</u>	<u>(1,083,953)</u>	<u>(126,790)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ 0</u>	<u>\$ (1,083,953)</u>	<u>\$ (126,790)</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$0.

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE W - LONG-TERM DEBT

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

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
General Obligation Bonds				
Energy Conservation Improvement 6.15%	\$ 360,000	\$	\$ 115,000	\$ 245,000
Energy Conservation Improvement 5.25%	370,000	0	68,000	302,000
School Improvement 5.09%	3,285,000	0	100,000	3,185,000
School Improvement 5.81%	17,236,185	0	390,000	16,846,185
Total General Obligation Bonds	21,251,185	0	673,000	20,578,185
Capital Leases:				
Xerox Copier - Stanton	93,085	0	19,154	73,931
Xerox Copier - Roosevelt High School	13,438	0	11,445	1,993
Davey Renovations	952,563	0	86,886	865,677
Total Capital Leases	1,059,086	0	117,485	941,601
Pension Obligation	277,744	370,319	277,744	370,319
Compensated Absences	1,343,792	213,484	75,396	1,481,880
Total General Long-Term Obligations	\$23,931,807	\$583,803	\$1,143,625	\$23,371,985

KENT CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2001

NOTE W - LONG-TERM DEBT - Continued

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. Capital leases are paid from the general fund and capital projects fund.

The legal debt margin of the School District as of June 30, 2001, was \$59,009,720. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	811,000	957,844	1,768,844
2006-2010	2,902,318	5,577,433	8,479,751
2011-2015	4,888,867	3,503,174	8,392,041
2016-2020	6,560,000	1,801,058	8,361,058
2021-2022	2,975,000	164,406	3,139,406
Total	<u>\$20,578,185</u>	<u>\$15,116,590</u>	<u>\$35,694,775</u>

**Kent City School District
Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2001**

Federal Grantor/Sub Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Education						
Passed through the State Department of Education						
Adult Education-State Grant Program	84.002	AB-S1	\$56,412	\$ -	\$58,664	\$ -
Total Adult Education			56,412	-	58,664	-
Standing Tall 2000	84.592	N/A	1,353	-	1,530	-
Total Standing Tall 2000			1,353	-	1,530	-
Title 1 - Education Consolidated Improvement Act of 2000	84.010	043497-C1-S1	746,966	-	710,461	-
Total Title 1			746,966	-	710,461	-
Title VI - Education Consolidation and Improvement Act of 1981	84.298	043497-C2-S1	26,758	-	25,029	-
Total Title VI			26,758	-	25,029	-
Special Education Cluster: Title VI-B - Education of Handicapped Children Act	84.027	043497-6B-SF	348,421	-	374,368	-
Total Title VI-B			348,421	-	374,368	-
Title VI-B - Preschool	84.173	043497-PG-S1	26,691	-	26,025	-
Total Title VI-B - Preschool			26,691	-	26,025	-
Emergency Immigrant Education Grant	84.162	EI-S1	3,280	-	3,649	-
Total Emergency Immigrant Ed. Grant			3,280	-	3,649	-
Drug Free Schools Grant	84.186	043497-DR-S1	15,906	-	15,906	-
Total Drug Free Schools Grant			15,906	-	15,906	-
Eisenhower Grant	84.164	N/A	35,009	-	42,068	-
Total Eisenhower Grant			35,009	-	42,068	-

**Kent City School District
Schedule of Expenditures of Federal Awards - Continued
for the Year Ended June 30, 2001**

Federal Grantor/Sub Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Carl Perkins Grant	84.048	04349720	105,923	-	96,115	-
Total Carl Perkins Grant			105,923	-	96,115	-
GOALS 2000	84.276	043497-G2-S1	42,813	-	42,482	-
Total GOALS 2000			42,813	-	42,482	-
Title VI-R	84.340	N/A	120,153	-	93,653	-
Total Bureau of Vocational Rehab			120,153	-	93,653	-
Ohio Partners Education	84.215	N/A	10,938	-	7,348	-
Total Ohio Partners Education			10,938	-	7,348	-
Federal Challenge	84.303	NA	2,557	-	4,922	-
Total Federal Challenge			2,557	-	4,922	-
Even Start	84.213	N/A	61,699	-	48,657	-
Total Even Start			61,699	-	48,657	-
Total U. S. Department of Education			1,604,879	-	1,550,877	-
U.S. Department of Health and Human Services						
Passed through Ohio Department of MRDD						
Medical Assistance Program	93.778	43497	44,150	-	44,150	-
Total U. S. Department of Health and Human Services			44,150	-	44,150	-

**Kent City School District
Schedule of Expenditures of Federal Awards - Continued
for the Year Ended June 30, 2001**

Federal Grantor/Sub Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
Passed through the State Department of Education						
Child Nutrition Cluster						
Food Distribution Program	10.550 (A)	43497	47,340	25,893	47,340	54,883
National School Breakfast Program	10.553	043497-05-PU	229,384	-	229,384	-
National School Lunch Program	10.555 (B)	043497-03-PU	-	-	-	-
Total U.S. Department of Agriculture			<u>276,724</u>	<u>25,893</u>	<u>276,724</u>	<u>54,883</u>
Total Federal Financial Assistance			<u>\$ 1,925,753</u>	<u>\$ 25,893</u>	<u>\$ 1,871,751</u>	<u>\$ 54,883</u>

(A) Valued at fair market value less cost to the School District, assumed expended on a first-in, first-out basis.

(B) Commingled with state and local funds. Assumed expended on a first-in, first-out basis.

This schedule is prepared on the cash basis of accounting.

**Independent Auditors' Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of General Purpose Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Education
Kent City School District
Kent, Ohio 44240

We have audited the general purpose financial statements of the Kent City School District (the District), as of and for the year ended June 30, 2001 and have issued our report thereon dated December 3, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audit 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 general purpose 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 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.

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

Moore Stephens Apple

Akron, Ohio
December 3, 2001

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

To the Board of Education
Kent City School District
Kent, OH 44240

Compliance

We have audited the compliance of Kent City School District 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 each of its major federal programs for the year ended June 30, 2001. Kent City School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kent City School District's management. Our responsibility is to express an opinion on Kent City School 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, 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kent City School 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 Kent City School District's compliance with those requirements.

In our opinion, Kent City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Kent City School District 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 operation that we consider to be material weaknesses.

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

Moore Stephens Apple

Akron, Ohio
December 3, 2001

Kent City School District - Portage County
Schedule of Findings and Questioned Costs
June 30, 2001

1. *Summary of Auditors' Results*

Unqualified opinion was issued on the financial statements.

Material control weaknesses at the financial statement level - none noted.

Other reportable control weaknesses at the financial statement level – none noted.

There was no material non-compliance at the financial statement level.

Reportable control weaknesses for major federal programs - none noted.

For those items tested, there was no material non-compliance for major federal programs.

Unqualified opinion was issued on major programs compliance.

The audit disclosed no findings under OMB Circular A-133.

The District's major program tested was Title I - CFDA #84.010.

The dollar threshold used for Type A Programs was \$300,000 and Type B programs were all other programs.

The Auditee was low risk.

2. There were no audit findings or questioned costs for federal awards during the year ended June 30, 2001.
3. There were no audit findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards for the year ended June 30, 2001.

Kent City School District - Portage County

Schedule of Prior Audit Findings

June 30, 2001

The prior audit report of the Kent City School District, issued as of June 30, 2000, included no citation and no recommendations.



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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, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 26, 2002**