



**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund	18
Statement of Fund Net Assets - Enterprise Fund	19
Statement of Revenues, Expenses, and Changes In Net Assets - Enterprise Fund	20
Statement of Cash Flows - Enterprise Fund	21
Statement of Fiduciary Net Assets - Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	24
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Expenditures	50
Notes to the Schedule of Federal Awards Expenditures	51
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Governmental Auditing Standards</i>	53
Report of Independent Accountants on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133	55
Schedule of Findings	57
Schedule of Prior Audit Findings	59

This page intentionally left blank



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

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Kenton City School District
Hardin County
400 Decatur Street
Kenton, Ohio 43326

To the Board of Education:

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Kenton City School District, Hardin County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund 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 March 15, 2002 on our consideration of the 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

We performed our audit to form an opinion on the basic financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Jim Petro
Auditor of State

March 15, 2002

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
UNAUDITED**

The discussion and analysis of Kenton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2001. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2001 are as follows:

- In total, net assets increased \$511 thousand. Net assets of governmental activities increased \$487 thousand, which represents an 8 percent increase from fiscal year 2000. Net assets of the business-type activity, which represents food service, increased \$24 thousand or 57 percent from fiscal year 2000.
- General revenues accounted for \$12,686 thousand in revenue or 83 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$2,570 thousand or 17 percent of total revenues of \$15,256 thousand.
- Total assets of governmental activities increased \$679 thousand primarily from increased cash and cash equivalents, property taxes, and capital assets at the end of the fiscal year.
- The School District had \$14,068 thousand in expenses related to governmental activities; only \$1,914 thousand of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily income taxes, property taxes, and grants and entitlements) of \$12,685 thousand were adequate to provide for these programs.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Kenton City School District as a financial whole, or as an entire operating entity.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in a single column. For Kenton City School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2001?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
UNAUDITED
(Continued)**

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the School District has improved or diminished for the School District as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District is divided into two distinct kinds of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activity - This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net assets and the statement of activities and the governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
UNAUDITED
(Continued)**

The School District as a Whole

The perspective of the statement of net assets is of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2001 compared to 2000:

Table 1
Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activity		Total	
	2001	2000	2001	2000	2001	2000
<u>Assets:</u>						
Current and Other Assets	\$10,096	\$9,687	\$72	\$75	\$10,168	\$9,762
Capital Assets, Net	3,011	2,741	84	55	3,095	2,796
Total Assets	<u>13,107</u>	<u>12,428</u>	<u>156</u>	<u>130</u>	<u>13,263</u>	<u>12,558</u>
<u>Liabilities:</u>						
Current and Other Liabilities	5,688	5,405	66	66	5,754	5,471
Long-Term Liabilities	1,001	1,092	24	22	1,025	1,114
Total Liabilities	<u>6,689</u>	<u>6,497</u>	<u>90</u>	<u>88</u>	<u>6,779</u>	<u>6,585</u>
<u>Net Assets:</u>						
Invested in Capital Assets Net of Related Debt	2,846	2,499	84	55	2,930	2,554
Restricted	391	556	0	0	391	556
Unrestricted (Deficit)	3,181	2,876	(18)	(13)	3,163	2,863
Total Net Assets	<u>\$6,418</u>	<u>\$5,931</u>	<u>\$66</u>	<u>\$42</u>	<u>\$6,484</u>	<u>\$5,973</u>

Total assets increased \$705 thousand. Equity in pooled cash and cash equivalents increased \$333 thousand. Income and property taxes receivable increased \$244 thousand; of this increase, \$63 thousand is offset by an increase in deferred revenue.

Net assets of the School District's governmental activities increased \$487 thousand. The net assets of the School District's business-type activity increased \$24 thousand.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2001.

Table 2 Change in Net Assets (In Thousands)						
	Governmental Activities		Business-Type Activity		Total	
	2001	2000	2001	2000	2001	2000
Revenues:						
Program Revenues:						
Charges for Services and Sales	\$ 309	\$ 181	\$ 392	\$ 395	\$ 701	\$ 576
Operating Grants and Contributions	1,536	971	264	287	1,800	1,258
Capital Grants and Contributions	69	134	0	16	69	150
Total Program Revenues	1,914	1,286	656	698	2,570	1,984
General Revenues:						
Property Taxes	4,323	4,051	0	0	4,323	4,051
Income Taxes	1,633	1,639	0	0	1,633	1,639
Grants and Entitlements	6,348	6,600	0	0	6,348	6,600
Interest	311	266	1	1	312	267
Miscellaneous	70	188	0	0	70	188
Total General Revenues	12,685	12,744	1	1	12,686	12,745
Total Revenues	14,599	14,030	657	699	15,256	14,729
Transfers	(43)	0	43	0	0	0
Total Revenues and Transfers	14,556	14,030	700	699	15,256	14,729
Program Expenses:						
Instruction	9,165	8,671	0	0	9,165	8,671
Support Services:						
Pupils and Instructional Staff	1,078	862	0	0	1,078	862
Board of Education, Administration, and Fiscal	1,679	1,539	0	0	1,679	1,539
Operation and Maintenance of Plant	1,400	1,119	0	0	1,400	1,119
Pupil Transportation	508	510	0	0	508	510
Central	43	22	0	0	43	22
Extracurricular Activities	184	148	0	0	184	148
Interest and Fiscal Charges	10	13	0	0	10	13
Loss on Disposal of Capital Assets	1	0	0	0	1	0
Food Service	0	0	676	692	676	692
Total Expenses	14,068	12,884	676	692	14,744	13,576
Increase in Net Assets	\$ 488	\$ 1,146	\$ 24	\$ 7	\$ 512	\$ 1,153

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
UNAUDITED
(Continued)**

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2001	2000	2001	2000
Instruction	\$9,165	\$8,671	\$7,932	\$7,871
Support Services:				
Pupils and Instructional Staff	1,078	862	697	602
Board of Education, Administration, and Fiscal	1,679	1,539	1,637	1,522
Operation and Maintenance of Plant	1,400	1,119	1,392	1,117
Pupil Transportation	508	510	443	470
Central	43	22	43	22
Extracurricular Activities	184	148	(1)	(19)
Interest and Fiscal Charges	10	13	10	13
Loss on Disposal of Capital Assets	1	0	1	0
Total Expenses	<u>\$14,068</u>	<u>\$12,884</u>	<u>\$12,154</u>	<u>\$11,598</u>

The dependence upon tax revenues for governmental activities is apparent. Over 86 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities general revenues support is 87 percent. The community, as a whole, is the primary support for Kenton City School District students.

Business-Type Activity

The only business-type activity of the School District is the food service operation. This program had revenues and transfers of \$700 thousand and expenses of \$676 thousand for fiscal year 2001. Total revenues increased \$1 thousand and expenses decreased \$16 thousand from the prior fiscal year. For fiscal year 2001, there was a small increase in salary and fringe benefits expenses even with the replacement of staff by using vending machines. The largest decrease in expenses was lower cost of sales. In the prior fiscal year, a missed government commodities order caused the School District to purchase food at full price. The Board of Education intends to maintain lunch prices by increasing sales and reducing costs. However, with the steady decline of student enrollment, an increase in sales may not provide the steady revenue necessary to operate food service.

The Board of Education continues to examine the food service operation in effort to be self-operating without assistance from the General Fund. The business activity receives no support from tax revenues.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$14,812 thousand and expenditures and other financing uses of \$14,601 thousand. The positive change in fund balance for the year reflects that the School District was able to meet current costs.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2001, the School District amended its General Fund budget as needed. The School District uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, final budgeted revenues and other financing sources, in the amount of \$12,894 thousand, were above original budgeted revenues and other financing sources, in the amount of \$12,607 thousand. Of this \$287 thousand difference, most was due to conservative tax estimates.

Expenditures and other financing uses were budgeted at \$13,826 thousand while actual expenditures were \$13,226 thousand. The major difference comes from budgeting salaries at the full cost of current contracts through August, but actual expenditures are through June. Also, the School District purchased less fuel than anticipated resulting in lower expenditures for pupil transportation.

General Fund revenues and other financing sources were less than expenditures and other financing uses by approximately \$64 thousand. Although these expenditures exceeded revenues, the School Board feels the financial position of the School District is strong and there will not be a need for additional tax dollars in the immediate future.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2001, the School District had \$3,095 thousand invested in capital assets, \$3,011 thousand in governmental activities.

Table 4 reflects fiscal year 2001 balances compared to fiscal year 2000:

Table 4
Capital Assets at June 30
(Net of Depreciation, in Thousands)

	Governmenta Activities		Business-Type Activity		Total	
	2001	2000	2001	2000	2001	2000
Land	\$ 639	\$ 639	\$ 0	\$ 0	\$ 639	\$ 639
Land Improvements	227	70	0	0	227	70
Buildings and Building Improvements	1,101	1,191	9	9	1,110	1,200
Furniture and Fixtures	623	451	0	0	623	451
Vehicles	360	359	5	8	365	367
Equipment	61	31	70	39	131	70
Totals	<u>\$3,011</u>	<u>\$2,741</u>	<u>\$84</u>	<u>\$56</u>	<u>\$3,095</u>	<u>\$2,797</u>

The primary increase in capital assets for governmental activities is a result of the renovation of the track and field facilities and science technology improvements at the high school science laboratories, as well as routine computer and computer related purchases. The primary increase in capital assets for the business-type activity was due to the purchase of vending machines.

Debt

At June 30, 2001, the School District had \$165 thousand in outstanding energy conservation bonds for a project that originated in 1993. The bonds are being paid from General Fund transfers to the debt service fund. The debt is being repaid over a nine year period, with the last payment due in fiscal year 2003.

At June 30, 2001, the School District's overall legal debt margin was \$16,790,202 with an unvoted debt margin of \$186,558.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
UNAUDITED
(Continued)**

Current Issues

Kenton City School District is holding our own in the state of a declining economy and uncertainty in State funding. The School District's leading employer, Meritor, has continued to reduce its labor force over the past year which has magnified the declining economy locally. A number of these positions will not be refilled because production lines are being moved to other locations. Unemployment for families due to layoffs will soon run out and decisions of where to work and reside will need to be made by these families. Whether these families find work and remain in the School District or locate elsewhere will steer the way for our School District and community. Kenton City School District has been faced with a slightly declining pupil enrollment for several years. However, fiscal year 2001 had a more than normal decline and this is one area in which close monitoring should occur. Once the decline has reached a certain level, staff reductions should occur. In a declining enrollment, a loss of state funding of \$4,814 per pupil will add up and the School District will expect reduced state foundation monies. Fortunately, the School District entered the recession with a strong cash position and supportive community. If the economy continues to decline and revenues fall, the Administration and Board of Education will be faced with challenges to make changes in order to keep the School District solvent.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Steve Ashba, Treasurer, Kenton City School District, 400 Decatur Street, Kenton, Ohio 43326.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2001**

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,623,865	\$32,982	\$4,656,847
Accounts Receivable	6,711	86	6,797
Accrued Interest Receivable	5,723		5,723
Intergovernmental Receivable	13,503	22,192	35,695
Income Taxes Receivable	656,497		656,497
Loans Receivable	6,928		6,928
Prepaid Items	24,580	4	24,584
Restricted Assets	500,320		500,320
Inventory Held for Resale		12,685	12,685
Materials and Supplies Inventory		4,144	4,144
Property Taxes Receivable	4,257,948		4,257,948
Land	638,639		638,639
Depreciable Capital Assets, Net	<u>2,372,494</u>	<u>84,095</u>	<u>2,456,589</u>
Total Assets	<u>13,107,208</u>	<u>156,188</u>	<u>13,263,396</u>
Liabilities:			
Accounts Payable	176,607	357	176,964
Contracts Payable	18,607		18,607
Accrued Wages and Benefits Payable	1,099,962	36,801	1,136,763
Intergovernmental Payable	363,669	28,883	392,552
Retainage Payable	1,660		1,660
Matured Compensated Absences Payable	8,018		8,018
Deferred Revenue	3,909,440		3,909,440
Liabilities Payable from Restricted Assets	109,716		109,716
Long-Term Liabilities:			
Due Within One Year	330,849	7,787	338,636
Due in More Than One Year	<u>670,590</u>	<u>16,014</u>	<u>686,604</u>
Total Liabilities	<u>6,689,118</u>	<u>89,842</u>	<u>6,778,960</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	2,846,133	84,095	2,930,228
Restricted For:			
Set Asides	68,364		68,364
Capital Projects	18,392		18,392
Other Purposes	303,848		303,848
Unrestricted (Deficit)	<u>3,181,353</u>	<u>(17,749)</u>	<u>3,163,604</u>
Total Net Assets	<u>\$6,418,090</u>	<u>\$66,346</u>	<u>\$6,484,436</u>

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Instruction:				
Regular	\$7,127,861	\$92,789	\$343,412	
Special	1,687,772		753,655	
Vocational	349,681	717	42,175	
Support Services:				
Pupils	594,278		160,653	37,500
Instructional Staff	484,083		182,833	
Board of Education	32,321			
Administration	1,225,999	7,836	34,750	
Fiscal	420,967		118	
Operation and Maintenance of Plant	1,400,391		2,082	6,188
Pupil Transportation	508,051	25,431	14,063	25,692
Central	43,266			
Extracurricular Activities	183,398	181,802	2,664	
Interest and Fiscal Charges	9,559			
Loss on Disposal of Capital Assets	952			
Total Governmental Activities	<u>14,068,579</u>	<u>308,575</u>	<u>1,536,405</u>	<u>69,380</u>
Business-Type Activity:				
Food Service	<u>675,834</u>	<u>392,001</u>	<u>263,615</u>	
Totals	<u>\$14,744,413</u>	<u>\$700,576</u>	<u>\$1,800,020</u>	<u>\$69,380</u>

General Revenues:

Property Taxes Levied for General Purposes
Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Miscellaneous
Total General Revenues
Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year (Restated Note 4)
Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-Type Activity	Total
(\$6,691,660)		(\$6,691,660)
(934,117)		(934,117)
(306,789)		(306,789)
(396,125)		(396,125)
(301,250)		(301,250)
(32,321)		(32,321)
(1,183,413)		(1,183,413)
(420,849)		(420,849)
(1,392,121)		(1,392,121)
(442,865)		(442,865)
(43,266)		(43,266)
1,068		1,068
(9,559)		(9,559)
(952)		(952)
(12,154,219)		(12,154,219)
	(20,218)	(20,218)
(12,154,219)	(20,218)	(12,174,437)
4,322,914		4,322,914
1,632,604		1,632,604
6,347,839		6,347,839
311,041	1,285	312,326
70,356		70,356
12,684,754	1,285	12,686,039
(42,859)	42,859	
12,641,895	44,144	12,686,039
487,676	23,926	511,602
5,930,414	42,420	5,972,834
\$6,418,090	\$66,346	\$6,484,436

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2001**

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,623,865	\$292,250	\$4,916,115
Accounts Receivable	6,711	75	6,786
Accrued Interest Receivable	5,723	29	5,752
Interfund Receivable	23,460		23,460
Intergovernmental Receivable	13,503	110,196	123,699
Income Taxes Receivable	656,497		656,497
Loans Receivable	6,928		6,928
Prepaid Items	24,580	3,714	28,294
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	94,056		94,056
Property Taxes Receivable	4,257,948		4,257,948
Total Assets	9,713,271	406,264	10,119,535
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	176,607	6,820	183,427
Contracts Payable	18,607		18,607
Interfund Payable		23,460	23,460
Accrued Wages and Benefits Payable	1,099,962	73,746	1,173,708
Intergovernmental Payable	286,241	27,677	313,918
Retainage Payable	1,660		1,660
Matured Compensated Absences Payable	8,018		8,018
Deferred Revenue	4,052,323	29	4,052,352
Total Liabilities	5,643,418	131,732	5,775,150
Fund Balances:			
Reserved for Property Taxes	309,415		309,415
Reserved for Loans	6,928		6,928
Reserved for Budget Stabilization	68,364		68,364
Reserved for Bus Purchase	25,692		25,692
Reserved for Encumbrances	215,642	38,491	254,133
Unreserved, Reported in:			
General Fund	3,443,812		3,443,812
Special Revenue Funds		217,637	217,637
Debt Service Fund		12	12
Capital Projects Funds		18,392	18,392
Total Fund Balances	4,069,853	274,532	4,344,385
Total Liabilities and Fund Balances	\$9,713,271	\$406,264	\$10,119,535

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2001**

Total Governmental Fund Balances		\$4,344,385
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,011,133
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	1,087	
Accrued Interest Receivable	29	
Income Taxes Receivable	102,703	
Property Taxes Receivable	<u>39,093</u>	
		142,912
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Intergovernmental Payable	(78,889)	
Accrued Interest Payable	(667)	
Compensated Absences Payable	(835,784)	
Energy Conservation Loan Payable	<u>(165,000)</u>	
		<u>(1,080,340)</u>
Net Assets of Governmental Activities		<u>\$6,418,090</u>

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$4,307,475		\$4,307,475
Income Taxes	1,665,245		1,665,245
Intergovernmental	6,738,305	1,290,081	8,028,386
Interest	310,940	72	311,012
Tuition and Fees	133,104	4,419	137,523
Extracurricular Activities		169,906	169,906
Gifts and Donations		2,664	2,664
Miscellaneous	82,163	7,477	89,640
Total Revenues	13,237,232	1,474,619	14,711,851
Expenditures:			
Current:			
Instruction:			
Regular	6,828,980	320,363	7,149,343
Special	1,158,544	534,917	1,693,461
Vocational	342,103		342,103
Support Services:			
Pupils	454,548	189,070	643,618
Instructional Staff	280,754	208,717	489,471
Board of Education	32,321		32,321
Administration	1,197,999	37,587	1,235,586
Fiscal	436,212	132	436,344
Operation and Maintenance of Plant	1,580,162	13,222	1,593,384
Pupil Transportation	526,113		526,113
Central	43,266		43,266
Extracurricular Activities		204,427	204,427
Debt Service:			
Principal Retirement		77,000	77,000
Interest and Fiscal Charges		9,870	9,870
Total Expenditures	12,881,002	1,595,305	14,476,307
Excess of Revenues Over (Under) Expenditures	356,230	(120,686)	235,544
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	3,000		3,000
Transfers In		97,062	97,062
Transfers Out	(124,940)		(124,940)
Total Other Financing Sources (Uses)	(121,940)	97,062	(24,878)
Net Change in Fund Balances	234,290	(23,624)	210,666
Fund Balances at Beginning of Year	3,835,563	298,156	4,133,719
Fund Balances at End of Year	\$4,069,853	\$274,532	\$4,344,385

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Net Change in Fund Balances - Total Governmental Funds \$210,666

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:

Capital Assets	613,581	
Depreciation	<u>(339,058)</u>	
		274,523

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(3,000)	
Loss on Disposal of Capital Assets	<u>(952)</u>	
		(3,952)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	15,439	
Income Taxes	(32,641)	
Intergovernmental	(77,426)	
Interest	29	
Tuition and Fees	(764)	
Miscellaneous	<u>120</u>	
		(95,243)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.

77,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

311

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	17,925	
Compensated Absences Payable	<u>6,446</u>	

24,371

Change in Net Assets of Governmental Activities		<u><u>\$487,676</u></u>
---	--	-------------------------

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$3,950,004	\$4,353,614	\$4,152,248	(\$201,366)
Income Taxes	1,600,000	1,578,309	1,622,309	44,000
Intergovernmental	6,583,125	6,493,670	6,738,802	245,132
Interest	250,000	245,852	310,247	64,395
Tuition and Fees	118,718	117,581	116,638	(943)
Miscellaneous	23,000	19,598	27,045	7,447
Total Revenues	<u>12,524,847</u>	<u>12,808,624</u>	<u>12,967,289</u>	<u>158,665</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,064,334	7,130,300	6,782,522	347,778
Special	1,217,333	1,220,186	1,166,546	53,640
Vocational	351,117	353,606	358,499	(4,893)
Support Services:				
Pupils	444,730	470,889	469,818	1,071
Instructional Staff	327,918	318,009	276,847	41,162
Board of Education	27,300	33,300	32,199	1,101
Administration	1,209,127	1,234,647	1,191,566	43,081
Fiscal	452,186	486,176	449,809	36,367
Operation and Maintenance of Plant	1,717,158	1,691,288	1,706,766	(15,478)
Pupil Transportation	628,937	615,637	531,426	84,211
Central	60,000	60,000	43,552	16,448
Total Expenditures	<u>13,500,140</u>	<u>13,614,038</u>	<u>13,009,550</u>	<u>604,488</u>
Excess of Revenues				
Under Expenditures	<u>(975,293)</u>	<u>(805,414)</u>	<u>(42,261)</u>	<u>763,153</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	15,000	15,000	56,672	41,672
Other Financing Sources	500	500	1,724	1,224
Proceeds from Sale of Capital Assets		3,000	3,000	
Advances In	66,400	66,400	132,800	66,400
Advances Out	(25,000)	(87,200)	(91,300)	(4,100)
Transfers Out	(109,508)	(125,008)	(124,940)	68
Total Other Financing Sources (Uses)	<u>(52,608)</u>	<u>(127,308)</u>	<u>(22,044)</u>	<u>105,264</u>
Net Change in Fund Balance	(1,027,901)	(932,722)	(64,305)	868,417
Fund Balance at Beginning of Year	4,050,778	4,050,778	4,050,778	
Prior Year Encumbrances Appropriated	347,227	347,227	347,227	
Fund Balance at End of Year	<u><u>\$3,370,104</u></u>	<u><u>\$3,465,283</u></u>	<u><u>\$4,333,700</u></u>	<u><u>\$868,417</u></u>

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND
JUNE 30, 2001**

	<u>Food Service</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$32,982
Accounts Receivable	86
Intergovernmental Receivable	22,192
Prepaid Items	4
Inventory Held for Resale	12,685
Materials and Supplies Inventory	<u>4,144</u>
Total Current Assets	72,093
Non-Current Assets:	
Capital Assets, Net	<u>84,095</u>
Total Assets	<u>156,188</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	357
Accrued Wages and Benefits Payable	36,801
Intergovernmental Payable	<u>28,883</u>
Total Current Liabilities	66,041
Long-Term Liabilities:	
Compensated Absences Payable	<u>23,801</u>
Total Liabilities	<u>89,842</u>
Net Assets:	
Invested in Capital Assets	84,095
Unrestricted (Deficit)	<u>(17,749)</u>
Total Net Assets	<u><u>\$66,346</u></u>

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Food Service
Operating Revenues:	
Sales	\$387,759
Other Operating Revenues	4,242
Total Operating Revenues	392,001
Operating Expenses:	
Salaries	224,745
Fringe Benefits	86,931
Purchased Services	9,148
Materials and Supplies	25,019
Cost of Sales	318,351
Depreciation	10,688
Total Operating Expenses	674,882
Operating Loss	(282,881)
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	48,205
Operating Grants	215,410
Interest	1,285
Loss on Disposal of Capital Assets	(952)
Total Non-Operating Revenues (Expenses)	263,948
Loss Before Contributions and Transfers	(18,933)
Capital Contributions	14,981
Transfers In	27,878
Change in Net Assets	23,926
Net Assets at Beginning of Year (Restated Note 4)	42,420
Net Assets at End of Year	\$66,346

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Food Service</u>
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$387,759
Cash Received from Other Revenues	4,314
Cash Payments for Salaries	(221,448)
Cash Payments for Fringe Benefits	(86,254)
Cash Payments for Goods and Services	<u>(306,803)</u>
Net Cash Used for Operating Activities	<u>(222,432)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	216,353
Cash Received from Operating Transfers In	27,878
Cash Received from Advances In	66,400
Cash Payments for Advances Out	<u>(66,400)</u>
Net Cash Provided by Noncapital Financing Activities	<u>244,231</u>
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Fixed Assets	<u>(25,271)</u>
Cash Flows from Investing Activities:	
Cash Received from Interest	<u>1,285</u>
Net Decrease in Cash and Cash Equivalents	(2,187)
Cash and Cash Equivalents at Beginning of Year	<u>35,169</u>
Cash and Cash Equivalents at End of Year	<u><u>\$32,982</u></u>
<i>See Accountant's Compilation Report.</i>	(Continued)

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

	Food Service
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$282,881)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	10,688
Donated Commodities Received During Year	48,205
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(14)
Decrease in Prepaid Items	48
Increase in Inventory Held for Resale	(314)
Increase in Materials and Supplies Inventory	(11)
Decrease in Accounts Payable	(2,079)
Increase in Accrued Wages and Benefits Payable	3,866
Decrease in Intergovernmental Payable	(1,641)
Increase in Compensated Absences Payable	1,701
Net Cash Used for Operating Activities	<u><u>(\$222,432)</u></u>

Non-Cash Transactions

During fiscal year 2001, the School District's governmental funds acquired fixed assets, in the amount of \$14,981, and donated them to the Food Service enterprise fund.

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2001**

	Private Purpose Trust	
	Fred Welter Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$12	<u>\$21,526</u>
Liabilities:		
Due to Students		<u>\$21,526</u>
Net Assets:		
Held in Trust for Needy Students	\$12	

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Private Purpose Trust</u> <u>Fred Welter Trust</u>
Additions:	
Deductions:	
Non-Instructional Services	<u>\$823</u>
Change in Net Assets	(823)
Net Assets at Beginning of Year	<u>835</u>
Net Assets at End of Year	<u><u>\$12</u></u>

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Kenton City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1888. The School District serves an area of approximately one hundred twelve square miles. It is located in Hardin and Wyandot Counties and includes all of Pleasant Township, portions of Cessna, Dudley, Goshen, Lynn, McDonald, and Taylor Creek Townships, and the City of Kenton. The School District is the 258th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by ninety-two classified employees, one hundred sixty certified teaching personnel, and ten administrative employees who provide services to 2,124 students and other community members. The School District currently operates eleven instructional/support buildings.

A. Reporting Entity

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

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

The School District participates in three jointly governed organizations and two insurance pools. These organizations are the Ohio Hi-Point Joint Vocational School, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 22 and 23 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Kenton City 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 governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds; governmental, proprietary, and fiduciary.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the School District's only major governmental fund:

General Fund

The General Fund 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.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose use are restricted to a particular purpose.

2. Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The following is the School District's proprietary fund:

Enterprise Fund

The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Food Service

The Food Service enterprise fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a program that provides assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

2. Fund Financial Statements

All governmental funds 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. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in revenues, expenses, and changes in net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise fund.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Nonexchange Transactions

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

3. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2001.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2001, investments were limited to repurchase agreements and nonnegotiable certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2001 was \$310,940, which includes \$15,644 assigned from other School District funds.

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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

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

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for budget stabilization as well as unexpended revenues restricted for the purchase of school buses.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inventory

On government-wide financial statements and in the enterprise fund, inventory is presented at the lower of cost or market. Cost is determined on a first-in, first-out basis and is expensed when used. Inventory consists of donated and purchased food.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the enterprise fund are reported in both the business-type activities column on the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure. Improvements are capitalized. Interest incurred during the construction of capital assets by the enterprise fund is also capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 50 years
Buildings and Building Improvements	15 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	5 - 20 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets.

L. 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 the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

The entire compensated absence liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. For the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, loans, budget stabilization, bus purchase, and encumbrances.

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 monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Q. Capital Contributions

Contributions of capital on enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds, or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

T. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board Statement No 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement No. 38, "Certain Financial Statement Note Disclosures". The implementation of these statements had no effect on equity balances as previously reported for the fiscal year ended June 30, 2000.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. RESTATEMENT OF NET ASSETS DUE TO A CORRECTION OF AN ERROR

The 2nd GASB 34 implementation guide clarified the recognition of donated commodities on the financial statements. Donated commodities should be recognized as revenue when received and not deferred. As a result of this clarification it was necessary to restate the beginning net assets of the Business Type Activity/Enterprise Fund.

The restatement due to this correction of an error had the following effect on net assets as were previously reported as of June 30, 2000.

	Business Type Activity/Enterprise Fund
Net Assets as Previously Reported	\$36,457
Donated Commodity Revenue	5,963
Restated Net Assets at June 30, 2000	<u>\$42,420</u>

The restatement due to this correction of an error had the following effect on the change in net assets for the fiscal year ended June 30, 2000.

	Business Type Activity/Enterprise Fund
Change in Net Assets as Previously Reported	\$1,465
Intergovernmental Revenue	5,963
Restated Change in Net Assets for the Fiscal Year Ended June 30, 2000	<u>\$7,428</u>

5. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001, the Miscellaneous State Grants Special Revenue Fund had a deficit fund balance of \$9,321 resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done with cash is needed rather than when accruals occur.

B. Compliance

The Early Childhood Special Revenue Fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001, in the amount of \$591.

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 2001.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. ACCOUNTABILITY AND COMPLIANCE (Continued)

<u>Fund Type/Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund			
Vocational Instruction/Capital Outlay	\$564	\$10,614	\$10,050
Operation and Maintenance of Plant/ Capital Outlay	158,184	310,317	152,133
Special Revenue Funds			
Athletic and Music			
Extracurricular Activities/ Materials and Supplies	147,187	166,819	19,632
Miscellaneous State Grants			
Regular Instruction/Personal Services	40,774	40,821	47
Regular Instruction/Materials and Supplies	82,276	82,587	311
Capital Projects Fund			
SchoolNet Plus			
Regular Instruction/Capital Outlay	83,809	84,221	412

The Board of Education is monitoring their budgetary controls to avoid future violations of budgetary compliance.

6. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance 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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance

GAAP Basis	\$234,290
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	680,170
Accrued FY 2001, Not Yet Received in Cash	(896,717)
Expenditure Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(1,336,767)
Accrued FY 2001, Not Yet Paid in Cash	1,590,893
Prepaid Items	1,547
Advances In	132,800
Advances Out	(91,300)
Loans Receivable:	
Repayments	5,000
Encumbrances Outstanding at Year End (Budget Basis)	<u>(384,221)</u>
Budget Basis	<u><u>(\$64,305)</u></u>

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

Interim deposits are deposits of interim monies.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

At fiscal year end, the School District had \$307 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 No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$5,064,384 and the bank balance was \$5,442,507. Of the bank balance, \$100,000 was covered by federal depository insurance and \$5,342,507 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2001, consisted of accounts (rent and student fees), services charged to other funds, accrued interest, interfund, intergovernmental, both income and property taxes, and loans. 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:

	Amount
Governmental Activities	
General Fund	\$13,503
Other Governmental Funds	
Eisenhower	1,126
Title VI-B	17,053
Title I	83,752
Title VI	1,077
Reducing Class Size	3,155
Indicators of Success	4,033
Total Other Governmental Funds	110,196
Total Governmental Activities	123,699
Business-Type Activities	
Food Service	22,192
Total Intergovernmental Receivables	\$145,891

9. INCOME TAXES

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1996, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

10. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at year end. The receivable is 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 \$309,415 in the General Fund. The amount available as an advance at June 30, 2000, was \$154,188 in the General Fund. 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	\$95,513,720	53.27%	\$96,858,690	51.92%
Industrial/Commercial	32,009,700	17.85	33,525,330	17.97
Public Utility	10,852,390	6.05	10,711,700	5.74
Tangible Personal	40,931,215	22.83	45,462,083	24.37
Total Assessed Value	<u>\$179,307,025</u>	<u>100.00%</u>	<u>\$186,557,803</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.20		\$34.20	

11. LOANS RECEIVABLE

In fiscal year 1996, the Board of Education made a loan to the Band Boosters, in the amount of \$24,273, and in fiscal year 2000, the Board of Education made an additional loan to the Band Boosters, in the amount of \$10,000. These are interest free loans with annual principal payments of \$5,000. During fiscal year 2001, the Board of Education received a \$5,000 payment. At June 30, 2001, the outstanding balance on these loans was \$6,928. Of this amount, \$1,928 will not be received within the next fiscal year.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. RESTRICTED NET ASSETS

Amounts on the statement of net assets are restricted for the following purposes.

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$386,306
Accounts Receivable	75
Accrued Interest Receivable	29
Intergovernmental Receivable	110,196
Prepaid Items	3,714
Total Restricted Assets	500,320
Liabilities:	
Accounts Payable	6,820
Accrued Wages Payable	73,746
Intergovernmental Payable	29,138
Accrued Interest Payable	12
Total Restricted Liabilities	109,716
Restricted Net Assets	\$390,604

13. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2001, was as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Governmental Activities				
Land	\$638,639	\$0	\$0	\$638,639
Depreciable Capital Assets				
Land Improvements	323,390	166,836	0	490,226
Buildings and Building Improvements	3,132,230	0	0	3,132,230
Furniture and Fixtures	1,220,115	353,384	(24,472)	1,549,027
Vehicles	821,908	55,588	(32,827)	844,669
Equipment	82,464	37,773	0	120,237
Total Depreciable Capital Assets	5,580,107	613,581	(57,299)	6,136,389
Total Capital Assets at Historical Cost	6,218,746	613,581	(57,299)	6,775,028

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Less Accumulated Depreciation				
Land Improvements	(253,910)	(9,568)	0	(263,478)
Buildings and Building Improvements	(1,941,456)	(89,249)	0	(2,030,705)
Furniture and Fixtures	(768,858)	(180,601)	23,135	(926,324)
Vehicles	(462,714)	(51,765)	30,212	(484,267)
Equipment	(51,246)	(7,875)	0	(59,121)
Total Accumulated Depreciation	(3,478,184)	(339,058)	53,347	(3,763,895)
Depreciable Capital Assets, Net	2,101,923	274,523	(3,952)	2,372,494
Governmental Activities Capital Assets, Net	<u>\$2,740,562</u>	<u>\$274,523</u>	<u>(\$3,952)</u>	<u>\$3,011,133</u>
Business-Type Activities				
Depreciable Capital Assets				
Buildings and Building Improvements	\$12,960	\$0	\$0	\$12,960
Vehicles	21,600	0	0	21,600
Equipment	124,986	40,252	(2,248)	162,990
Total Depreciable Capital Assets at Historical Cost	159,546	40,252	(2,248)	197,550
Less Accumulated Depreciation				
Buildings and Building Improvements	(3,587)	(610)	0	(4,197)
Vehicles	(14,040)	(2,160)	0	(16,200)
Equipment	(86,436)	(7,918)	1,296	(93,058)
Total Accumulated Depreciation	(104,063)	(10,688)	1,296	(113,455)
Business-Type Activities Capital Assets, Net	<u>\$55,483</u>	<u>\$29,564</u>	<u>(\$952)</u>	<u>\$84,095</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$219,325
Special	4,065
Vocational	2,444
Support Services:	
Pupils	7,504
Instructional Staff	12,417
Administration	7,373
Fiscal	2,719
Operation and Maintenance of Plant	38,851
Pupil Transportation	44,118
Extracurricular Activities	242
Total Depreciation Expense	<u>\$339,058</u>

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. INTERFUND ASSETS/LIABILITIES

At June 30, 2001, the General Fund had an interfund receivable and the other governmental funds had an interfund payable, in the amount of \$23,460. The interfund payable consisting of \$4,600 in the Title VI-B special revenue fund and \$10,000 in the Miscellaneous State Grants special revenue fund resulted from the provision of cashflow resources by the General Fund until the receipt of grant monies by the special revenue funds. The interfund payable, in the amount of \$8,860, in the Athletics and Music special revenue fund resulted from services provided to the fund by the General Fund.

15. RISK MANAGEMENT

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 Nationwide/Wasau Insurance for the following insurance coverage:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$37,551,600
Boiler and Machinery (\$1,000 deductible)	19,539,600
Hardware and Software (\$100 deductible)	500,000
Audio Visual Equipment (\$100 deductible)	787,832
Music Instruments (\$100 deductible)	446,491
Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust), a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center, and the Ada Public Library. The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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 participants is calculated as one experience and a common premium rate is applied to all participants 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.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. RISK MANAGEMENT (Continued)

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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

16. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$681,217, \$401,138, and \$368,660, respectively; 82 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$122,640, is recorded as a liability.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$67,873, \$85,389, and \$110,012, respectively; 49 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$34,495, is recorded as a liability.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

16. DEFINED BENEFIT PENSION PLANS

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$322,682.

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

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

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$182,163 for fiscal year 2001.

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

18. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month.

Sick leave may be accumulated up to a maximum of one hundred ninety-five days for teachers, twelve days beyond the contract year for administrators, and two hundred five days for classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of thirty-eight days.

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance benefits to most employees through the Hardin County School Employees' Health and Welfare Benefit Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

19. LONG-TERM OBLIGATIONS

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

	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Energy Conservation Bonds FY 1994 4.85%	\$242,000	\$0	(\$77,000)	\$165,000	\$81,000
Compensated Absences	842,230	423,753	(430,199)	835,784	249,849
Total Governmental Activities Long-Term Liabilities	<u>\$1,084,230</u>	<u>\$423,753</u>	<u>(\$507,199)</u>	<u>\$1,000,784</u>	<u>\$330,849</u>
Business-Type Activity					
Compensated Absences	<u>\$22,100</u>	<u>\$11,562</u>	<u>(\$9,861)</u>	<u>\$23,801</u>	<u>\$7,787</u>

Energy Conservation Bonds - On July 1, 1993, the School District issued \$687,000 in unvoted general obligation bonds for providing energy conservation measures for the School District. The bonds were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a nine year period, with final maturity during fiscal year 2003. The bonds are being retired through the debt service fund.

Compensated absences will be paid from the General Fund.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

The School District's overall debt margin was \$16,790,202 with an unvoted debt margin of \$186,558 at June 30, 2001.

Principal and interest requirements to retire the energy conservation bonds outstanding at June 30, 2001, were as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$81,000	\$6,038	\$87,038
2003	84,000	2,037	86,037
Totals	<u>\$165,000</u>	<u>\$8,075</u>	<u>\$173,075</u>

20. SET ASIDES

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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	\$0	\$0	\$189,287
Current Year Set Aside Requirement	307,088	307,088	0
Legislative Reduction	0	0	(120,923)
Qualifying Expenditures	(475,527)	(307,088)	0
Balance June 30, 2001	<u>(\$168,439)</u>	<u>\$0</u>	<u>\$68,364</u>
Amount Carried Forward to Fiscal Year 2002	<u>\$0</u>	<u>\$0</u>	<u>\$68,364</u>

The School District had qualifying expenditures during the year that reduced the textbooks set aside amount below zero; however, the School District has decided not to use this amount to reduce the set aside requirement of future fiscal years. The total reserve balance for the set asides at the end of the fiscal year was \$68,364.

21. INTERFUND TRANSFERS

During fiscal year 2001, the General Fund made transfers to the other governmental funds, in the amount of \$97,062, to move receipts to the debt service fund as debt payments became due and to subsidize various programs in other funds. The General Fund also made transfers to the Food Service enterprise fund which were used to support the operation of food service activities.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

B. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

C. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent of the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326-2385.

23. INSURANCE POOLS

A. Hardin County School Employees' Health and Welfare Benefit Plan and Trust

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust) is a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center, and the Ada Public Library. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

23. INSURANCE POOLS (Continued)

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as Director, 9525 T.R. 50, Dola, Ohio 45835.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as 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 Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

24. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

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

25. 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 was 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.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

23. INSURANCE POOLS (Continued)

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of March 15, 2002, 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.

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

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$48,205		\$45,356
National School Breakfast Program	05-PU	10.553	29,749		29,749	
National School Lunch Program	LL-P4, LL-P5	10.555	172,694		172,694	
Total Department of Agriculture - Nutrition Cluster			202,443	48,205	202,443	45,356
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF 00 P	84.027	130,523		140,568	
Title I, Part A, ESEA	C1-S1 01	84.010	429,522		392,004	
	C1-S1 00	84.010	270,742		219,608	
Total ESEA Title I			700,264		611,612	
Innovative Educational Program Strategies	C2-S1 01	84.298	9,701		9,701	
Safe and Drug Free Schools	DR-S1 01	84.186	9,031		9,031	
Eisenhower Professional Development State Grants (Title II, Part B)	M1-S1 99	84.281			4,052	
	M1-S1 00	84.281			11,489	
	M1-S1 01	84.281	10,135		4,428	
Total Eisenhower Professional Development			10,135		19,969	
Technology Literacy Challenge Fund Grants	TF -41, TF-42	84.318	150,000		129,653	
Class Size Reduction	CR-S1 00	84.340	11,336		7,310	
	CR-S1 01	84.340	60,140		51,005	
Total Class Size Reduction			71,476		58,315	
Total Department of Education			1,081,130		978,849	
Total Federal Awards			\$1,283,573	\$48,205	\$1,181,292	\$45,356

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures presents the activity of all federal financial programs of the District. The District reporting entity is defined in Note 1 of the District's general purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included in the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying Schedule of Federal Awards Expenditures has been prepared on a basis of cash receipts and disbursements, consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred.

NOTE C - REIMBURSEMENT GRANTS

The District received reimbursement type grants for which expenditures are realized when revenue is received. These grants include School Breakfast Program and National School Lunch Program.

NOTE D - FOOD DISTRIBUTION PROGRAM

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Federal Awards Expenditures at the fair market value of the commodities received and consumed. At June 30, 2001, the District had \$8,633 of food commodities in inventory.

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Kenton City School District
Hardin County
400 Decatur Street
Kenton, Ohio 43326

To the Board of Education:

We have audited the financial statements of Kenton City School District (the School District), Hardin County, as of and for the year ended June 30, 2001, and have issued our report thereon dated March 15, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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*. However, we noted instances of noncompliance that we have reported to management of the School District in a separate letter dated March 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to Management of the School District in a separate letter dated March 15, 2002.

Kenton City School District
Hardin County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

March 15, 2002



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

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Kenton City School District
Hardin County
400 Decatur Street
Kenton, Ohio 43326

To the Board of Education:

Compliance

We have audited the compliance of the Kenton City School District (the School District), Hardin County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 School District's compliance with those requirements.

In our opinion, the 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 the 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 the 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.

**Internal Control Over Compliance
(Continued)**

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

Jim Petro
Auditor of State

March 15, 2002

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A, ESEA: CFDA # 84.010 Technology Literacy Challenge Fund Grants: CFDA # 84.318
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2000-10233-001	Food Services - Nutrition Cluster: - Errors in donated commodities reported - Inventory observed but not included on final inventory listing - Eligibility Determinations - Reimbursements for Free & Reduced Meals - Supervisory Review	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

KENTON CITY SCHOOL DISTRICT

HARDIN 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
APRIL 11, 2002**