



Dave Yost • Auditor of State

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Kenton City School District
Hardin County
222 West Carrol Street
Kenton, Ohio 43326

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Kenton City School District, Hardin County, (the District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Kenton City School District, Hardin County, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for General 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 17, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the 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. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 17, 2011

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of Kenton City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. 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.

Highlights

Highlights for fiscal year 2010 are as follows:

- In total, net assets decreased by \$680,210, or 14 percent. Although revenues increased 4 percent and expenses only increased 3 percent, for fiscal year 2010, as in fiscal year 2009, expenses exceeded revenues resulting in cash carryover spending.

Using the Basic Financial Statements

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

The statement of net assets and the 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 a greater 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 non-major funds presented in total in a single column. For the School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial 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, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's only major fund is the General Fund.

Governmental Funds - All 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 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.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 compared to fiscal year 2009:

Table 1			
Net Assets			
	Governmental Activities		
	2010	2009	Change
Assets:			
Current and Other Assets	\$7,686,501	\$8,316,703	(\$ 630,202)
Capital Assets, Net	3,100,360	3,063,443	36,917
Total Assets	10,786,861	11,380,146	(593,285)
Liabilities:			
Current and Other Liabilities	5,514,887	5,421,362	(93,525)
Long-Term Liabilities	1,110,080	1,116,680	6,600
Total Liabilities	6,624,967	6,538,042	(86,925)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	3,000,979	3,063,443	(62,464)
Restricted	598,637	260,884	337,753
Unrestricted	562,278	1,517,777	(955,499)
Total Net Assets	\$4,161,894	\$4,842,104	(\$680,210)

The above table demonstrates a 5 percent decrease in total assets, and generally reflected in the decrease in current and other assets. There was a decrease in cash and cash equivalents of \$1 million due primarily to cash carryover spending. This decrease is also reflected in the decrease in unrestricted net assets. There was an increase of almost \$345,000 in intergovernmental receivables; also reflected in the increase in restricted net assets. This increase can be attributed to additional grant resources due to the School District and largely the result of the American Recovery and Reinvestment Act (ARRA).

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2010 and 2009.

**Table 2
Change in Net Assets**

	Governmental Activities		
	2010	2009	Change
Revenues:			
Program Revenues:			
Charges for Services	\$1,246,047	\$1,336,601	(\$ 90,554)
Operating Grants, Contributions, and Interest	3,450,659	2,342,417	1,108,242
Capital Grants and Contributions	27,098	32,009	(4,911)
Total Program Revenues	<u>4,723,804</u>	<u>3,711,027</u>	<u>1,012,777</u>
General Revenues:			
Property Taxes	3,499,857	3,817,702	(317,845)
Income Taxes	1,601,565	1,744,841	(143,276)
Grants and Entitlements	9,424,002	9,266,727	157,275
Interest	28,047	60,526	(32,479)
Miscellaneous	129,973	53,777	76,196
Total General Revenues	<u>14,683,444</u>	<u>14,943,573</u>	<u>(260,129)</u>
Total Revenues	<u>19,407,248</u>	<u>18,654,600</u>	<u>752,648</u>
Expenses:			
Instruction:			
Regular	9,965,786	9,392,650	(573,136)
Special	2,403,930	2,532,554	128,624
Vocational	185,088	212,486	27,398
Support Services:			
Pupils	602,128	602,902	774
Instructional Staff	1,245,776	1,176,081	(69,695)
Board of Education	24,746	38,467	13,721
Administration	1,637,294	1,709,517	72,223
Fiscal	421,573	445,635	24,062
Operation and Maintenance of Plant	1,620,124	1,619,012	(1,112)
Pupil Transportation	711,876	680,501	(31,375)
Central	68,070	42,556	(25,514)
Non-Instructional Services	916,917	842,141	(74,776)
Extracurricular Activities	284,150	276,423	(7,727)
Total Expenses	<u>20,087,458</u>	<u>19,570,925</u>	<u>(516,533)</u>
Decrease in Net Assets	(680,210)	(916,325)	236,115
Net Assets at Beginning of Year	<u>4,842,104</u>	<u>5,758,429</u>	<u>(916,325)</u>
Net Assets at End of Year	<u>\$4,161,894</u>	<u>\$4,842,104</u>	<u>(\$680,210)</u>

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

In total, revenues increased 4 percent from the prior fiscal year; much of this increase is reflected in operating grants and contributions (program revenues) as well as in unrestricted grants and entitlements (general revenues). These increase generally represent additional grant resources obtained through the American Recovery and Reinvestment Act (ARRA) and from State Fiscal Stabilization Fund resources (also stimulus related resources).

Although total expenses increased from the prior fiscal year, just under 3 percent, this was not a significant increase. The largest increase is reflected in regular instruction and, in part, represents the implementation of stimulus related program resources. As is to be expected, the School District's largest expenses is for instruction which accounted for 63 percent of overall expenses. However, several other programs, such as pupils, instructional staff, and pupil transportation also play a significant role in the process of educating students – these costs made up 13 percent of total expenses. Maintenance and upkeep of school buildings and facilities is also a major expense, 8 percent of overall expenses,

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$ 9,965,786	\$ 9,392,650	\$ 9,071,356	\$ 8,421,863
Special	2,403,930	2,532,554	(115,716)	1,011,068
Vocational	185,088	212,486	147,315	174,995
Support Services:				
Pupils	602,128	602,902	578,808	572,897
Instructional Staff	1,245,776	1,176,081	1,245,776	1,176,081
Board of Education	24,746	38,467	24,746	38,467
Administration	1,637,294	1,709,517	1,637,294	1,709,517
Fiscal	421,573	445,635	421,573	445,635
Operation and Maintenance of Plant	1,620,124	1,619,012	1,620,124	1,619,012
Pupil Transportation	711,876	680,501	640,874	643,583
Central	68,070	42,556	68,070	42,556
Non-Instructional Services	916,917	842,141	(69,862)	(61,259)
Extracurricular Activities	284,150	276,423	93,296	65,483
Total Expenses	\$20,087,458	\$19,570,925	\$15,363,654	\$15,859,898

A review of the above table demonstrates that only a very few of the School District's programs receive notable support through program revenues. For fiscal year 2010, the special instruction program was fully funded through program revenue (due to ARRA grant resources). The non-instructional services program, which represents the cafeteria, receives program revenues from lunch sales and federal subsidies for food service operations. Extracurricular activities' costs are largely paid for through admission charges for athletic events as well as from music and drama productions.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund is the School District's only major fund. There was a 4.4 percent decrease in revenues from the prior fiscal year, with modest decreases reflected in almost all revenue sources. The School District was able to lower the expenditures in the General fund, but only by 1 percent. Unfortunately, the continued excess of expenditures over revenues demonstrates continued cash carryover spending.

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.

For revenues, there was no change from the original budget to the final budget and changes from the final budget to actual revenues were very minimal. For expenditures, there were minimal changes from the original budget to the final budget; however, actual expenditures were over 8 percent less than projections. Savings were realized in every program and generally due to conservative spending.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2010, the School District had \$3,100,360 invested in capital assets (net of accumulated depreciation). Additions for the fiscal year included computer equipment and other small equipment acquisitions and three buses. Disposals included routine equipment replacement and four buses. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

Debt - At June 30, 2010, the School District's long-term debt consisted of an equipment lease, in the amount of \$99,381. The School District's long-term obligations also included compensated absences. For further information regarding the School District's long-term obligations, refer to Notes 16 and 17 to the basic financial statements.

Current Issues

The Kenton City School District is in a state of slow economic downturn as are all government bodies and school districts across the State. After the loss of major employer in 2009, the School District's unemployment and loss of student enrollment stabilized in calendar year 2010. With the enrollment decline, the School District was able to close a small elementary school with an enrollment of one hundred ten students. This building was then rented to Ohio High Point Joint Vocational School for adult education classes. This will benefit our community and the bottom line of our School District. Even in these tough economic times, our community passed a .5 percent five-year school income tax in May 2010 to begin collection in January 2011. Even after the passage of the income tax, the School District is still looking for additional budget cuts that need to occur due to the lack of State support.

The School District is still very concerned about the State's reimbursement of tangible property tax, which eliminated the collection of the tax on the business sector due to the passage of House Bill 66 in prior years. The State thus far has reimbursed schools at a rate of 100 percent of the loss of those tax dollars through fiscal year 2010. Starting in fiscal year 2011; however, this reimbursement will be scaled back each year until fiscal year 2018, at which time the reimbursement will be completely eliminated. Also due to the State of Ohio revenue decline, school funding is at risk and reductions of 10 to 20 percent for fiscal year 2012 have been discussed. Either of these reductions will be devastating to our School District and additional spending reductions will need to be in place for next school year.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

The School District has plans in place to return to the ballot for a new pre-kindergarten through sixth grade building in May 2011. This building is to be located on land north of the current High School. The School District is participating in the Ohio School Facilities Commission program in which the State will contribute 65 percent of the cost of eligible expenditures of the new facility and the local share being 35 percent of the cost plus any additional needs requested. This will allow the School District to consolidate all of the students in one central location and be more efficient in its operations. The School District's two largest elementary buildings were built in the 1930's and are in much need of major repairs. Hopes are that the community will take advantage of this tremendous financial support from the State and then the cost efficiencies can be implemented by the School District.

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 concerning any of the information in this report or requests for additional information should be directed to Steve Ashba, Treasurer, Kenton City School District, 222 West Carrol Street, Kenton, Ohio 43326.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,659,238
Accounts Receivable	10,041
Accrued Interest Receivable	4,860
Intergovernmental Receivable	639,901
Income Taxes Receivable	631,568
Prepaid Items	53,055
Inventory Held for Resale	9,042
Materials and Supplies Inventory	1,216
Property Taxes Receivable	3,677,580
Nondepreciable Capital Assets	638,639
Depreciable Capital Assets, Net	2,461,721
Total Assets	10,786,861
Liabilities:	
Accounts Payable	48,146
Accrued Wages and Benefits Payable	1,767,890
Intergovernmental Payable	562,608
Deferred Revenue	3,136,243
Long-Term Liabilities:	
Due Within One Year	122,475
Due in More Than One Year	987,605
Total Liabilities	6,624,967
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,000,979
Restricted For:	
Capital Projects	2,291
Other Purposes	596,346
Unrestricted	562,278
Total Net Assets	\$4,161,894

See accompanying notes to basic financial statements.

KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$9,965,786	\$684,082	\$210,348		(\$9,071,356)
Special	2,403,930		2,519,646		115,716
Vocational	185,088		37,773		(147,315)
Support Services:					
Pupils	602,128		5,029	\$18,291	(578,808)
Instructional Staff	1,245,776				(1,245,776)
Board of Education	24,746				(24,746)
Administration	1,637,294				(1,637,294)
Fiscal	421,573				(421,573)
Operation and Maintenance of Plant	1,620,124				(1,620,124)
Pupil Transportation	711,876	34,567	36,435		(640,874)
Central	68,070				(68,070)
Non-Instructional Services	916,917	344,278	633,694	8,807	69,862
Extracurricular Activities	284,150	183,120	7,734		(93,296)
Total Governmental Activities	<u>\$20,087,458</u>	<u>\$1,246,047</u>	<u>\$3,450,659</u>	<u>\$27,098</u>	<u>(15,363,654)</u>
General Revenues:					
					3,499,857
					1,601,565
					9,424,002
					28,047
					129,973
					<u>14,683,444</u>
					(680,210)
					4,842,104
					<u>\$4,161,894</u>

See accompanying notes to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,310,086	\$348,791	\$2,658,877
Accounts Receivable	10,041		10,041
Accrued Interest Receivable	4,860		4,860
Interfund Receivable	25,683		25,683
Intergovernmental Receivable	17,407	622,494	639,901
Income Taxes Receivable	631,568		631,568
Prepaid Items	53,055		53,055
Inventory Held for Resale		9,042	9,042
Materials and Supplies Inventory		1,216	1,216
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	361		361
Property Taxes Receivable	3,677,580		3,677,580
Total Assets	<u><u>6,730,641</u></u>	<u><u>981,543</u></u>	<u><u>7,712,184</u></u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	40,637	7,509	48,146
Accrued Wages and Benefits Payable	1,498,973	268,917	1,767,890
Interfund Payable		25,683	25,683
Intergovernmental Payable	509,198	53,410	562,608
Deferred Revenue	3,344,362	622,494	3,966,856
Total Liabilities	<u><u>5,393,170</u></u>	<u><u>978,013</u></u>	<u><u>6,371,183</u></u>
Fund Balances:			
Reserved for Property Taxes	437,733		437,733
Reserved for Bus Purchase	361		361
Reserved for Encumbrances	62,951	12,117	75,068
Designated for Budget Stabilization	68,364		68,364
Unreserved, Reported in:			
General Fund	768,062		768,062
Special Revenue Funds (Deficit)		(10,878)	(10,878)
Capital Projects Fund		2,291	2,291
Total Fund Balances	<u><u>1,337,471</u></u>	<u><u>3,530</u></u>	<u><u>1,341,001</u></u>
Total Liabilities and Fund Balances	<u><u>\$6,730,641</u></u>	<u><u>\$981,543</u></u>	<u><u>\$7,712,184</u></u>

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, 2010**

Total Governmental Fund Balances		\$1,341,001
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.		
		3,100,360
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$7,036	
Accrued Interest Receivable	4,092	
Intergovernmental Receivable	622,494	
Income Taxes Receivable	93,387	
Property Taxes Receivable	103,604	
		830,613
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences Payable	(1,010,699)	
Capital Leases Payable	(99,381)	(1,110,080)
Net Assets of Governmental Activities		<u>\$4,161,894</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, 2010**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:			
Property Taxes	\$3,487,699		\$3,487,699
Income Taxes	1,611,921		1,611,921
Intergovernmental	9,751,632	\$2,555,668	12,307,300
Interest	33,144	29	33,173
Tuition and Fees	716,843		716,843
Extracurricular Activities		183,120	183,120
Charges for Services		344,278	344,278
Gifts and Donations		7,734	7,734
Miscellaneous	101,762	29,539	131,301
Total Revenues	<u>15,703,001</u>	<u>3,120,368</u>	<u>18,823,369</u>
Expenditures:			
Current:			
Instruction:			
Regular	9,502,875	626,652	10,129,527
Special	1,513,621	894,458	2,408,079
Vocational	181,737		181,737
Support Services:			
Pupils	537,165	81,266	618,431
Instructional Staff	649,865	558,060	1,207,925
Board of Education	24,746		24,746
Administration	1,667,007	5,363	1,672,370
Fiscal	412,663		412,663
Operation and Maintenance of Plant	1,526,222		1,526,222
Pupil Transportation	858,926		858,926
Central	63,108	4,962	68,070
Non-Instructional Services		904,731	904,731
Extracurricular Activities		216,929	216,929
Debt Service:			
Principal Retirement	36,495		36,495
Total Expenditures	<u>16,974,430</u>	<u>3,292,421</u>	<u>20,266,851</u>
Excess of Revenues Under Expenditures	<u>(1,271,429)</u>	<u>(172,053)</u>	<u>(1,443,482)</u>
Other Financing Sources:			
Inception of Capital Lease	<u>135,876</u>		<u>135,876</u>
Changes in Fund Balances	(1,135,553)	(172,053)	(1,307,606)
Fund Balances (Deficit) at Beginning of Year	<u>2,473,024</u>	<u>175,583</u>	<u>2,648,607</u>
Fund Balances at End of Year	<u>\$1,337,471</u>	<u>\$3,530</u>	<u>\$1,341,001</u>

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 STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Changes in Fund Balances - Total Governmental Funds (\$1,307,606)

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 depreciation exceeded capital outlay in the current fiscal year:

Capital Outlay - Depreciable Capital Assets	539,839	
Depreciation	(404,379)	
		135,460

The book value of capital assets is removed from the capital assets account on the statement of net assets when disposed of resulting in a loss on disposal if capital assets on the statement of activities (98,543)

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

Property Taxes	12,158	
Income Taxes	(10,356)	
Intergovernmental	586,696	
Interest	(5,097)	
Tuition and Fees	1,806	
Miscellaneous	(1,328)	
		583,879

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets 36,495

The inception of a capital lease is reported as an other financing source in the governmental funds but increases long-term liabilities on the statement of net assets (135,876)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 105,981

Change in Net Assets of Governmental Activities (\$680,210)

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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$3,435,991	\$3,435,991	\$3,435,991	
Income Taxes	1,624,136	1,624,136	1,624,136	
Intergovernmental	9,677,009	9,677,009	9,680,292	3,283
Interest	12,000	12,000	6,726	(5,274)
Tuition and Fees	737,150	737,150	737,126	(24)
Miscellaneous	36,731	36,731	36,749	18
Total Revenues	<u>15,523,017</u>	<u>15,523,017</u>	<u>15,521,020</u>	<u>(1,997)</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,687,188	9,756,953	9,496,863	260,090
Special	1,981,902	1,924,529	1,639,479	285,050
Vocational	235,079	209,135	179,767	29,368
Support Services:				
Pupils	583,819	568,607	544,023	24,584
Instructional Staff	703,137	743,156	644,073	99,083
Board of Education	35,317	36,197	22,965	13,232
Administration	1,802,991	1,853,636	1,674,414	179,222
Fiscal	483,985	481,528	408,311	73,217
Operation and Maintenance of Plant	2,130,802	2,088,676	1,514,589	574,087
Pupil Transportation	879,282	801,786	749,016	52,770
Central	56,175	75,000	63,108	11,892
Total Expenditures	<u>18,579,677</u>	<u>18,539,203</u>	<u>16,936,608</u>	<u>1,602,595</u>
Excess of Revenues Under Expenditures	<u>(3,056,660)</u>	<u>(3,016,186)</u>	<u>(1,415,588)</u>	<u>1,600,598</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	53,617	53,617	53,617	
Advances Out	(75,000)	(75,000)		75,000
Transfers Out	(60,000)	(60,000)		60,000
Total Other Financing Sources (Uses)	<u>(81,383)</u>	<u>(81,383)</u>	<u>53,617</u>	<u>135,000</u>
Changes in Fund Balance	(3,138,043)	(3,097,569)	(1,361,971)	1,735,598
Fund Balance at Beginning of Year	3,059,489	3,059,489	3,059,489	
Prior Year Encumbrances Appropriated	248,369	248,369	248,369	
Fund Balance at End of Year	<u>\$169,815</u>	<u>\$210,289</u>	<u>\$1,945,887</u>	<u>\$1,735,598</u>

See accompanying notes to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$13,083	\$22,691
Liabilities:		
Due to Students		\$22,691
Net Assets:		
Scholarships	12,744	
Held in Trust for Students	339	
Total Net Assets	\$13,083	

See accompanying notes to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Additions:	
Gifts and Donations	<u>\$8,547</u>
Deductions:	
Non-Instructional Services	<u>3,619</u>
Change in Net Assets	4,928
Net Assets at Beginning of Year	<u>8,155</u>
Net Assets at End of Year	<u><u>\$13,083</u></u>

See accompanying notes to the basic financial statements.

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**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 276th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by eighty classified employees, one hundred thirty-one certified teaching personnel, and twenty-five administrative employees who provide services to 1,942 students and other community members. The School District currently operates eight 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 two jointly governed organizations and three insurance pools. These organizations are the Ohio Hi-Point Joint Vocational School, Western Ohio Computer Organization, Schools of Ohio Risk Sharing Authority, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental 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. 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, contributions, and interest 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 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major 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. The funds of the School District are divided into two categories, governmental and fiduciary.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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 School District's only major fund is the General 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 whose use is restricted to a particular purpose.

2. 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 private purpose trust funds (the only trust funds) account for programs that provide services to needy students and college scholarships to students after graduation. 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.

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. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The private purpose trust funds are 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; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis 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 Non-exchange 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.

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

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

2. Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 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.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures

On the accrual basis, 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 an alternative tax budget (consists of a five-year forecast), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative 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 function and fund.

The certificate of estimated resources may be amended during the fiscal 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 amended certificate of estimated resources requested by the School District prior to fiscal year end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations 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. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2010, investments included federal agency securities, U.S. treasury obligations, and mutual funds. Investments are reported at fair value, which is based on quoted market price or current share price.

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 2010 was \$33,144, which includes \$3,471 assigned from other School District funds.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the School District's 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, 2010, 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 in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of donated and purchased food.

I. 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 externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund consist of unexpended revenues restricted for bus purchases.

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in 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.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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>Useful Lives</u>
Land Improvements	10 - 50 years
Building and Building Improvements	13 - 75 years
Furniture, Fixtures and Equipment	5 - 40 years
Vehicles	10 - 15 years
Infrastructure	30 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 are eliminated on the statement of net assets.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide 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, 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 fiscal year. Capital leases 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 consist 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 enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants.

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, 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.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A designation of fund balances represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for budget stabilization represents monies set aside by resolution of the Board of Education to offset revenue/expenditure fluctuations.

P. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instrument", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2010, the following funds had deficit fund balances:

Fund Type/Fund	Deficit
Special Revenue Funds:	
Title VI-B	\$134,120
Title I	79,698
Drug Free	9,257
Preschool	2,037
Title II-A	19,372
Title II-D	9,675

The deficit fund balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit fund balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2010.

Fund	Estimated Resources plus Available Balance	Appropriations	Excess
Special Revenue Funds:			
Student	\$233,901	\$235,116	\$1,215
Education Management Information Systems	5,000	5,900	900
Title II-D	6,192	17,693	11,501

The Treasurer will review budgetary activity to ensure that appropriations are within estimated resources.

The following accounts had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2010.

Fund Type /Fund/Function/Object	Appropriations	Expenditures Plus Encumbrances	Excess
Special Revenue Funds			
Student			
Extracurricular Activities			
Salaries	\$ 4,250	\$ 5,250	\$1,000
Poverty Based Assistance			
Regular Instruction			
Materials and Supplies	375	386	11
Fiscal Stabilization			
Regular Instruction			
Salaries	441,415	471,040	29,625
Special Instruction			
Salaries	38,690	41,310	2,620

The Treasurer will monitor budgetary transactions to ensure that expenditures are within amounts appropriated.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (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:

Changes in Fund Balance	
GAAP Basis	(\$1,135,553)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2009, Received in Cash FY 2010	899,848
Accrued FY 2010, Not Yet Received in Cash	(997,094)
Expenditure Accruals:	
Accrued FY 2009, Paid in Cash FY 2010	(2,049,945)
Accrued FY 2010, Not Yet Paid in Cash	2,048,808
Cash Adjustments:	
Unrecorded Activity FY 2009	264,537
Unrecorded Activity FY 2010	(295,655)
Prepaid Items	(2,329)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(94,588)
Budget Basis	(\$1,361,971)

6. DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 five 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.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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.

Interim monies held by the School District may be deposited or invested in the following securities:

1. 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;
2. 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;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

Investments

As of June 30, 2010, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Bank Bonds	\$152,245	12/06/10
Federal Farm Credit Bank Notes	101,762	03/03/11
Federal National Mortgage Association Notes	50,420	09/13/10
Federal National Mortgage Association Notes	117,950	05/19/11
Federal National Mortgage Association Notes	101,411	03/23/12
US Treasury Note	201,344	09/30/11
US Treasury Note	228,973	11/15/11
Mutual Funds	7,550	38 Days
Total Investments	<u>\$961,655</u>	

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The federal agency securities and mutual funds carry a rating of Aaa by Moody's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

The School District places no limit on the amount it may invest in any one issuer. The following table indicates the percentage of investments to the School District's total portfolio:

	Fair Value	Percentage of Portfolio
Federal Farm Credit Bank	\$254,007	26.41%
Federal National Mortgage Association	269,781	28.05%
US Treasury	437,867	45.53%

7. RECEIVABLES

Receivables at June 30, 2010, consisted of accounts (student fees and billings for user charged services), accrued interest, interfund, intergovernmental, income taxes, and property taxes. 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. All receivables, except income and property taxes, are expected to be collected within one year. Income and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
General Fund:	
State of Ohio	\$ 239
Hardin County Educational Service Center	11,839
Miscellaneous	5,329
Total General Fund	17,407
Other Governmental Funds:	
Title VI-B	213,204
Title I	355,812
Drug Free	10,087
Preschool	7,521
Title II-A	34,125
Title II-D	1,745
Total Other Governmental Funds	622,494
Total Intergovernmental Receivables	\$639,901

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

8. INCOME TAXES

The School District levies a voted tax of one 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.

9. 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 property tax revenues received during calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received during calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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.

Public utility property tax revenues received during calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received during calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the values as of December 31, 2009. 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010, was \$437,733 in the General Fund. The amount available as an advance at June 30, 2009, was \$386,025 in the General Fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential	\$136,439,490	74.06%	\$137,021,260	73.51%
Industrial/Commercial	40,329,040	21.89%	41,104,130	22.05%
Public Utility	7,466,210	4.05%	8,267,010	4.44%
Total Assessed Value	<u>\$184,234,740</u>	<u>100.00%</u>	<u>\$186,392,400</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.20		\$34.20	

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Reductions	Balance at 6/30/10
Governmental Activities:				
Non-depreciable Capital Assets:				
Land	\$ 638,639			\$638,639
Depreciable Capital Assets:				
Land Improvements	882,916		(\$201,565)	681,351
Buildings and Building Improvements	4,681,113		(4,450)	4,676,663
Furniture, Fixtures and Equipment	1,982,652	\$327,725		2,310,377
Vehicles	1,141,298	212,114	(107,916)	1,245,496
Infrastructure	15,850			15,850
Total Depreciable Capital Assets	<u>\$8,703,829</u>	<u>\$539,839</u>	<u>(\$313,931)</u>	<u>\$8,929,737</u>

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. CAPITAL ASSETS (Continued)

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$ 464,128)	(\$ 25,689)	\$107,472	(\$ 382,345)
Buildings and Building Improvements	(3,592,949)	(125,564)		(3,718,513)
Furniture, Fixtures and Equipment	(1,489,074)	(191,215)		(1,680,289)
Vehicles	(729,134)	(61,383)	107,916	(682,601)
Infrastructure	(3,740)	(528)		(4,268)
Total Accumulated Depreciation	<u>(6,279,025)</u>	<u>(404,379)</u>	<u>215,388</u>	<u>(6,468,016)</u>
Depreciable Capital Assets, Net	<u>2,424,804</u>	<u>135,460</u>	<u>(98,543)</u>	<u>2,461,721</u>
Governmental Activities Capital Assets, Net	<u><u>\$3,063,443</u></u>	<u><u>\$135,460</u></u>	<u><u>(\$98,543)</u></u>	<u><u>\$3,100,360</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$81,689
Special	8,976
Vocational	8,985
Support Services:	
Pupils	6,632
Instructional Staff	34,506
Administration	12,029
Fiscal	5,445
Operation and Maintenance of Plant	86,514
Pupil Transportation	66,283
Non-Instructional Services	19,807
Extracurricular Activities	73,513
Total Depreciation Expense	<u><u>\$404,379</u></u>

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2010, the General Fund had an interfund receivable, in the amount of \$25,683 from other governmental funds for short-term loans made to those funds.

12. 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 2010, the School District contracted for the following insurance coverage.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

12. RISK MANAGEMENT (Continued)

Coverage provided by the Schools of Ohio Risk Sharing Authority is as follows:

Property	\$58,716,447
General Liability	
Per Occurrence	3,000,000
Aggregate	5,000,000
Automobile Liability	3,000,000
Uninsured Motorists	1,000,000

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.

For fiscal year 2010, the School District participated in the Schools of Ohio Risk Sharing Authority (SOSRA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (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 2010, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan 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 Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

13. PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DCP and the DBP. In the CP, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age 60; the DCP portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,117,684, \$1,090,640, and \$1,080,433, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for the fiscal year 2010 were \$37,934 made by the School District and \$27,096 made by plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. PENSION PLANS (Continued)

Funding Policy – For the fiscal year ended June 30, 2010, plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$277,179, \$199,725, and \$191,091 respectively; 20 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$88,894, \$85,568, and \$85,315 respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. POST-EMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description – The School District contributes to two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$44,716.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$9,977, \$91,403, and \$87,201 respectively; 20 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$16,483, \$16,479, and \$13,769 respectively; 20 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 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.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

15. OTHER EMPLOYEE BENEFITS (Continued)

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 two hundred five days for all employees. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, not to exceed thirty-eight days for classified employees. All teachers and administrative staff will be paid one-fourth of the of the total sick leave accumulation, not to exceed forty days with five years of service, forty-one days with ten years of service, forty-two days with twenty years of service , and forty-three days with thirty years of service. In addition all employees will be paid for a maximum of five days for sick leave accumulated beyond one hundred ninety-nine days. Payment is based upon the employee's salary at the time of retirement.

B. Health Care Benefits

The School District offers 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.

16. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<u>Balance at</u> <u>6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>6/30/10</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
General Long-Term Liabilities					
Compensated Absences Payable	\$1,116,680	\$68,339	\$174,320	\$1,010,699	\$90,951
Capital Leases Payable		135,876	36,495	99,381	31,524
Total General Long-Term Obligations	<u>\$1,116,680</u>	<u>\$204,215</u>	<u>\$210,815</u>	<u>\$1,110,080</u>	<u>\$122,475</u>

Compensated absences will be paid from the funds from which the employee's salaries are paid.

The School District's overall debt margin was \$16,039,097 with an unvoted debt margin of \$178,212 at June 30, 2010.

17. CAPITAL LEASES – LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Pupil Transportation" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. Principal payments in 2010 were \$36,495.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

17. CAPITAL LEASES – LESSEE DISCLOSURE (Continued)

	Governmental Activities
Equipment	\$135,876
Less Accumulated Depreciation	(8,304)
Carrying Value, June 30, 2010	\$127,572

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010.

	Governmental Activities	
Year	Principal	Interest
2011	\$31,524	\$ 4,970
2012	33,101	3,394
2013	34,756	1,738
Total	\$99,381	\$10,102

18. 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 fiscal year must be held in cash at fiscal 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, 2010, 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 2010.

	Textbooks	Capital Improvements	Budget Stabilization
Balance at June 30, 2009	(\$1,073,257)		\$68,364
Current Year Set-Aside Requirement	332,216	\$332,216	
Qualifying Expenditures	(456,219)	(332,216)	
Balance Carried Forward to Fiscal Year 2011	(\$1,197,260)	\$ 0	\$68,364
Set Aside Reserve Balance June 30, 2010	(\$1,197,260)	\$ 0	\$68,364

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

19. 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 Board possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, 2280 State Route 540, Bellefontaine, Ohio 43311.

B. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2010, the School District paid \$86,797 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

20. INSURANCE POOLS

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between the SORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

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

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

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.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

20. INSURANCE POOLS (Continued)

C. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials as an insurance purchasing pool.

The Plan's business and affairs are conducted by the five member OASBO Board of Directors. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

21. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

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

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**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
Noncash Assistance (Food Distribution)					
National School Lunch Program	10.555		\$45,375		\$45,375
Cash Assistance					
National School Lunch Program	10.555	\$401,890		\$401,890	
Total National School Lunch Program		401,890	45,375	401,890	45,375
School Breakfast Program	10.553	102,067		102,067	
Summer Food Service Program for Children	10.559	15,967		15,967	
Total Nutrition Cluster		519,924	45,375	519,924	45,375
ARRA - Child Nutrition Discretionary Grants - Recovery Act	10.579	8,807		8,807	
Total United States Department of Agriculture		528,731	45,375	528,731	45,375
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster					
Special Education Grants to States	84.027	447,490		392,631	
Special Education _Preschool Grants	84.173	10,569		10,569	
ARRA - Special Education_Preschool Grants - Recovery Act	84.392	6,614		8,650	
ARRA - Special Education Grants to States - Recovery Act	84.391	300,078		306,879	
Total Special Education Cluster		764,751		718,729	
Title 1, Part A Cluster					
Title 1 Grants to Local Educational Agencies	84.010	536,530		519,705	
ARRA - Title 1 Grants to Local Educational Agencies - Recovery Act	84.389	80,319		71,864	
Total Title 1, Part A Cluster		616,849		591,569	
Education Technology State Grants Cluster					
Education Technology State Grants	84.318	3,631		4,223	
ARRA - Education Technology State Grants - Recovery Act	84.386			9,696	
Total Education State Grants Cluster		3,631		13,919	
Improving Teacher Quality State Grants	84.367	131,954		126,698	
School Improvement Grants	84.377	81,896		71,694	
Safe and Drug-Free Schools and Communities	84.186	714		10,766	
Javitis Gifted and Talented Students Education Grant Program	84.206	1,000		510	
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants - Recovery Act	84.394	512,350		512,350	
Total U. S. Department of Education		2,113,145		2,046,235	
Total Federal Financial Assistance		\$2,641,876	\$45,375	\$2,574,966	\$45,375

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 RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Kenton City School District (the District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on the Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance is reported in the Schedule at the entitlement value of the commodities received and consumed. The entitlement value reported in the Schedule is determined using the Commodity Allocation Tracking System (CATS).

NOTE D – MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Kenton City School District
Hardin County
222 West Carrol Street
Kenton, Ohio 43326

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Kenton City School District, Hardin County (the School District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 17, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 17, 2011.

We intend this report solely for the information and use of the management, Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

March 17, 2011



Dave Yost • Auditor of State

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

Kenton City School District
Hardin County
222 West Carrol Street
Kenton, Ohio 43326

To the Board of Education:

Compliance

We have audited the compliance of the Kenton City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Kenton City School District's major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Kenton City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 17, 2011.

We intend this report solely for the information and use of the management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 17, 2011

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control 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(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA #84.027, #84.173, #84.392 and #83.391 Title 1, Part A Cluster CFDA #84.010 and #84.389 State Fiscal Stabilization Fund CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC 3327.08 – Competitive bidding of school buses	Yes	No school buses purchased or leased during the fiscal year ended June 30, 2010.



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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
MAY 10, 2011**