



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	14
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund .....	18
Statement of Net Assets - Business Type Activity .....	19
Statement of Revenues, Expenses, and Changes In Fund Net Assets - Business-Type Activity .....	20
Statement of Cash Flows - Business-Type Activity .....	21
Statement of Fiduciary Net Assets - Fiduciary Funds .....	22
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund .....	23
Notes to the Basic Financial Statements .....	25
Schedule of Federal Awards Expenditures .....	53
Notes to the Schedule of Federal Awards Expenditures .....	54
Report on Compliance and on Internal Control Required By <i>Governmental Auditing Standards</i> .....	55
Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	57
Schedule of Findings .....	59

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying basic financial statements of the Kenton City School District, Hardin County (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

As described in Note 3 to the financial statements, the District adopted Governmental Accounting Standards Board Statements numbers 33 and 34 and Interpretation 6 as of and for the year ended June 30, 2000. Additionally, the District changed the capital asset capitalization threshold as described in Note 3.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Kenton City School District, Hardin County, as of June 30, 2000, and the results of its operations and the cash flows of its business type activity for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Jim Petro**  
Auditor of State

March 7, 2001

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
UNAUDITED**

The discussion and analysis of Kenton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2000. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2000 are as follows:

- In total, net assets increased \$1,147 thousand. Net assets of governmental activities increased \$1,146 thousand which represents a 24 percent increase from 1999. Net assets of business-type activities which represents food service increased \$1 thousand or 3 percent from 1999.
- General revenues accounted for \$12,745 thousand in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$1,978 thousand or 13 percent of total revenues of \$14,723 thousand.
- Total assets of governmental activities increased by \$1,416 thousand primarily as a result of increased cash and cash equivalents at the end of the fiscal year.
- The School District had \$12,884 thousand in expenses related to governmental activities; only \$1,286 thousand of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily property taxes, and income taxes, grants and entitlements) of \$12,744 thousand were adequate to provide for these programs.

**Using this Basic Financial Statement Report**

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

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

**Reporting the School District as a Whole**

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2000?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
UNAUDITED  
(Continued)**

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader, for the School District as a whole, whether the financial position of the School District has improved or diminished. The causes of this change 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, the School District is divided into two distinct kinds of activities:

- Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

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

**Proprietary Fund** - The proprietary fund uses the same basis of accounting as business-type activities; therefore, these statements will essentially match.



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
UNAUDITED  
(Continued)**

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2000 compared to 1999:

Table 1  
Net Assets  
(In Thousands)

	Governmental Activities		Business-Type Activity		Total	
	2000	1999	2000	1999	2000	1999
<u>Assets:</u>						
Current and Other Assets	\$9,687	\$8,271	\$75	\$90	\$9,762	\$8,361
Capital Assets	2,741	2,741	55	46	2,796	2,787
Total Assets	<u>12,428</u>	<u>11,012</u>	<u>130</u>	<u>136</u>	<u>12,558</u>	<u>11,148</u>
<u>Liabilities:</u>						
Long-Term Liabilities	1,092	1,123	22	16	1,114	1,139
Other Liabilities	5,405	5,104	72	85	5,477	5,189
Total Liabilities	<u>6,497</u>	<u>6,227</u>	<u>94</u>	<u>101</u>	<u>6,591</u>	<u>6,328</u>
<u>Net Assets:</u>						
Invested in Capital Assets Net of Debt	2,499	2,426	55	46	2,554	2,472
Restricted	556	501	0	0	556	501
Unrestricted (Deficit)	2,876	1,858	(19)	(11)	2,857	1,847
Total Net Assets	<u>\$5,931</u>	<u>\$4,785</u>	<u>\$36</u>	<u>\$35</u>	<u>\$5,967</u>	<u>\$4,820</u>

Total assets increased \$1,410 thousand. Equity in pooled cash and cash equivalents increased \$1,087 thousand. Property and income taxes receivable increased \$194 thousand; of this increase, \$25 thousand is offset by an increase in deferred revenue.

Net assets of the School District's governmental activities increased by \$1,146 thousand. The net assets of the School District business-type activity increased by \$1 thousand.

Table 2 shows the changes in net assets for fiscal year 2000. Since this is the first year the School District has prepared financial statements following GASB Statement Number 34, revenue and expense comparisons to fiscal year 1999 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
UNAUDITED  
(Continued)**

Table 2  
Changes in Net Assets  
(In Thousands)

	Governmental Activities 2000	Business-Type Activity 2000	Total 2000
<u>Revenues</u>			
Program Revenues:			
Charges for Services	\$181	\$395	\$576
Operating Grants and Contributions	971	281	1,252
Capital Grants and Contributions	134	16	150
General Revenue:			
Property Taxes	4,051	0	4,051
Income Taxes	1,639	0	1,639
Grants and Entitlements	6,600	0	6,600
Investment Earnings	266	1	267
Other	188	0	188
<b>Total Revenues</b>	<b>14,030</b>	<b>693</b>	<b>14,723</b>
<u>Program Expenses</u>			
Instruction	8,671	0	8,671
Support Services:			
Pupil and Instructional Staff	862	0	862
Board of Education, Administration, and Fiscal	1,539	0	1,539
Operation and Maintenance of Plant	1,119	0	1,119
Pupil Transportation	510	0	510
Central	22	0	22
Extracurricular Activities	148	0	148
Interest and Fiscal Charges	13	0	13
Food Service	0	692	692
<b>Total Expenses</b>	<b>12,884</b>	<b>692</b>	<b>13,576</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$1,146</b>	<b>\$1</b>	<b>\$1,147</b>

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
UNAUDITED  
(Continued)**

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Comparisons to 1999 have not been made since they are not available.

Table 3  
Governmental Activities  
(In Thousands)

	Total cost of Services 2000	Net Cost of Services 2000
Instruction	\$8,671	\$7,871
Support Services:		
Pupil and Instructional Staff	862	602
Board of Education, Administration, and Fiscal	1,539	1,522
Operation and Maintenance of Plant	1,119	1,117
Pupil Transportation	510	470
Central	22	22
Extracurricular Activities	148	(19)
Interest and Fiscal Charges	13	13
Total Expenses	\$12,884	\$11,598

The dependence upon tax revenues for governmental activities is apparent. Over 90 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities general revenue support is 91 percent. The community, as a whole, is the primary support for Kenton City School District students.

**Business-Type Activity**

The only business-type activity of the School District is the food service operation. This program had revenues of \$693 thousand and expenses of \$692 thousand for fiscal year 2000, an increase of \$1 thousand net assets. With an increase in salary and benefits, expenses will continue to increase. However, the Board of Education intends to maintain lunch prices by reducing costs and increasing sales. The replacement of staff by the use of vending machines has been looked into and will be implemented for the 2001 fiscal year. Business activities receive no support from local tax revenues.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
UNAUDITED  
(Continued)**

**The School District's Funds**

Major funds are accounted for using the modified accrual basis of accounting. The General Fund represents the School District's only major fund. All governmental funds had total revenues of \$14,074 thousand and expenditures of \$12,916 thousand. The net positive change in fund balance for the year shows an increase in net assets. This growth shows that the School District is able to meet current operating costs with no urgent need for additional funds.

**General Fund Budgeting Highlights**

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

During the course of fiscal 2000, the School District amended its General Fund budget as needed. The School District uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, final budgeted revenue and other financing sources, in the amount of \$12,476, were above original budgeted revenue and other financing sources, in the amount of \$12,139. Of this \$337 thousand difference, most was due to conservative tax and intergovernmental estimates.

Expenditures were budgeted at \$12,811 thousand while actual expenditures were \$11,915 thousand. The major difference comes from salaries budgeted at full cost of current contracts which are paid through August. In addition, capital improvement summer projects are approved, but delayed in payment because of completion after the end of the fiscal year.

The General Fund revenues and other financing sources of the School District still exceed expenditures by approximately \$750 thousand, making the financial position of the School District strong. Thus, the increased cash balance will postpone a need for additional tax dollars in the immediate future.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2000, the School District had \$2,797 thousand invested in capital assets, \$2,741 thousand in governmental activities.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
UNAUDITED  
(Continued)**

Table 4 shows fiscal year 2000 balances compared to fiscal year 1999:

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

	Governmental Activities		Business-Type Activities		Total	
	2000	1999	2000	1999	2000	1999
Land	\$639	\$639	\$0	\$0	\$639	\$639
Land Improvements	70	9	0	0	70	9
Buildings and Building Improvements	1,191	1,207	9	10	1,200	1,217
Furniture and Fixtures	451	553	0	0	451	553
Equipment	31	30	39	26	70	56
Vehicles	359	303	8	10	367	313
<b>Totals</b>	<b>\$2,741</b>	<b>\$2,741</b>	<b>\$56</b>	<b>\$46</b>	<b>\$2,797</b>	<b>\$2,787</b>

The primary increase in capital assets is a result of outside bleacher replacements at the football field and a major overhaul of the high school gymnasium bleachers. The increase in vehicles was due to the purchase of a new school bus.

During fiscal year 1999, a change in Ohio law required school districts to set aside 2 percent of certain revenues for capital improvements and an additional 2 percent for textbooks. For fiscal year 2000, this was increased to 3 percent which amounted to \$293,026 for each set aside. The School District has budgeted to meet these requirements and has had no trouble fulfilling the obligation for capital improvements and textbooks.

**Debt**

At June 30, 2000, the School District had \$242 thousand in bonds outstanding for an energy conservation project that originated in 1993. The bonds are paid from the General Fund over a ten year period with the last payment due in December 2002.

At June 30, 2000, the School District's overall legal debt margin was \$16,137,632 with an unvoted debt margin of \$179,307.

**For the Future**

Kenton City Schools is in very good financial condition presently. The present growth trends indicated by the five-year forecast of finances, supports the School District's assumption of being self-supporting through 2005. However, future finances are not without challenges as our community changes and state funding is revised.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
UNAUDITED  
(Continued)**

The School District's leading employer, Meritor, has reduced its labor force by one half over the past year. Management from the facility has indicated that the slow down could last two or more years. This reduced work force certainly will have an effect on the School District's income tax revenue collections. If continued for an extended length of time, the displaced workers might leave the community. This could result in a possible decline in student enrollment, which the School District is already experiencing. Any additional money that the School District would receive, should not be treated as windfall to expand programs, but keep current with existing technology and mandates. Thus management will be challenged with balancing our staffing needs with declining enrollment and prudently providing the resources to meet the students' needs.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Steve Ashba, Treasurer at Kenton City School District, 400 Decatur Street, Kenton, Ohio 43326.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2000**

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,208,718	\$35,169	\$4,243,887
Receivables:			
Property Taxes	4,024,664		4,024,664
Income Taxes	646,202		646,202
Accounts	6,403	72	6,475
Intergovernmental	5,562	23,135	28,697
Accrued Interest	5,030		5,030
Loans	11,928		11,928
Prepaid Items	26,127	52	26,179
Restricted Assets	752,138		752,138
Inventory Held for Resale		12,371	12,371
Materials and Supplies Inventory		4,133	4,133
Land	639,380		639,380
Other Capital Assets, Net of Accumulated Depreciation	2,101,923	55,483	2,157,406
Total Assets	<u>12,428,075</u>	<u>130,415</u>	<u>12,558,490</u>
<b>Liabilities:</b>			
Accounts Payable	90,812	2,436	93,248
Accrued Wages and Benefits Payable	1,105,486	32,935	1,138,421
Intergovernmental Payable	361,042	30,524	391,566
Accrued Interest Payable	978		978
Deferred Revenue	3,846,822	5,963	3,852,785
Long Term Liabilities:			
Due Within One Year	299,673	6,020	305,693
Due In More Than One Year	792,010	16,080	808,090
Total Liabilities	<u>6,496,823</u>	<u>93,958</u>	<u>6,590,781</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	2,499,303	55,483	2,554,786
Restricted For:			
Capital Projects	80,985		80,985
Debt Service (Deficit)	(896)		(896)
Set Asides	189,287		189,287
Other Purposes	286,087		286,087
Unrestricted (Deficit)	2,876,486	(19,026)	2,857,460
Total Net Assets	<u>\$5,931,252</u>	<u>\$36,457</u>	<u>\$5,967,709</u>

*See Accompanying Notes to the Basic Financial Statements.*

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,629,506		\$251,271	\$86,000
Special	1,673,078		462,712	
Vocational	368,273			
Support Services:				
Pupil	429,973		41,601	21,696
Instructional Staff	432,393		196,891	
Board of Education	55,974		10,936	
Administration	1,110,819		5,855	
Fiscal	371,978			
Operation and Maintenance of Plant	1,118,968		2,102	
Pupil Transportation	510,175	\$13,536		26,619
Central	22,315			
Extracurricular Activities	147,553	167,392		
Interest and Fiscal Charges	13,212			
Total Governmental Activities	<u>12,884,217</u>	<u>180,928</u>	<u>971,368</u>	<u>134,315</u>
<u>Business-Type Activity:</u>				
Food Service	692,041	394,802	280,833	16,317
Totals	<u>\$13,576,258</u>	<u>\$575,730</u>	<u>\$1,252,201</u>	<u>\$150,632</u>

General Revenues:

Property Taxes Levied for

General Purposes

Income Taxes

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Tuition and Fees

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - (See Note 3)

Net Assets End of Year

*See Accompanying Notes to the Basic Financial Statements.*



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

<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
(\$6,292,235)		(\$6,292,235)
(1,210,366)		(1,210,366)
(368,273)		(368,273)
(366,676)		(366,676)
(235,502)		(235,502)
(45,038)		(45,038)
(1,104,964)		(1,104,964)
(371,978)		(371,978)
(1,116,866)		(1,116,866)
(470,020)		(470,020)
(22,315)		(22,315)
19,839		19,839
(13,212)		(13,212)
(11,597,606)		(11,597,606)
	(\$89)	(89)
(11,597,606)	(89)	(11,597,695)
4,051,467		4,051,467
1,638,648		1,638,648
6,599,566		6,599,566
265,748	1,554	267,302
90,316		90,316
97,673		97,673
12,743,418	1,554	12,744,972
1,145,812	1,465	1,147,277
4,785,440	34,992	4,820,432
<u>\$5,931,252</u>	<u>\$36,457</u>	<u>\$5,967,709</u>

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2000**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,208,718	\$276,593	\$4,485,311
Receivables:			
Property Taxes	4,024,664		4,024,664
Income Taxes	646,202		646,202
Accounts	6,403	448	6,851
Intergovernmental	5,562	282,078	287,640
Accrued Interest	5,030	125	5,155
Loans	11,928		11,928
Interfund Receivable	56,100		56,100
Prepaid Items	26,127	3,607	29,734
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	189,287		189,287
<b>Total Assets</b>	<b>\$9,180,021</b>	<b>\$562,851</b>	<b>\$9,742,872</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$42,278	\$48,534	\$90,812
Accrued Wages and Benefits Payable	1,036,132	69,354	1,105,486
Compensated Absences Payable	7,453		7,453
Intergovernmental Payable	251,044	13,184	264,228
Interfund Payable		56,100	56,100
Deferred Revenue	4,007,551	77,426	4,084,977
<b>Total Liabilities</b>	<b>5,344,458</b>	<b>264,598</b>	<b>5,609,056</b>
<b>Fund Balances:</b>			
Reserved for Property Taxes	154,188		154,188
Reserved for Loans	11,928		11,928
Reserved for Budget Stabilization	189,287		189,287
Reserved for Encumbrances	310,334	22,103	332,437
Designated for Budget Stabilization	68,005		68,005
Unreserved, Undesignated, Reported in:			
General Fund	3,101,821		3,101,821
Special Revenue Funds		195,101	195,101
Debt Service Fund		82	82
Capital Projects Funds		80,967	80,967
<b>Total Fund Balances</b>	<b>3,835,563</b>	<b>298,253</b>	<b>4,133,816</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$9,180,021</b>	<b>\$562,851</b>	<b>\$9,742,872</b>

*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, 2000**

Total Governmental Fund Balances		\$4,133,816
----------------------------------	--	-------------

Amounts reported for governmental activities in 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.		2,741,303
---	--	-----------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	23,654		
Income Taxes	135,344		
Tuition and Fees	1,628		
Miscellaneous	103		
Intergovernmental	<u>77,426</u>		
			238,155

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Intergovernmental	(96,814)		
Compensated Absences	(842,230)		
Energy Conservation Loan	(242,000)		
Accrued Interest Payable	<u>(978)</u>		
			<u>(1,182,022)</u>
Net Assets of Governmental Activities			<u><u>\$5,931,252</u></u>

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues:</u>			
Property Taxes	\$4,060,551		\$4,060,551
Income Taxes	1,607,846		1,607,846
Intergovernmental	6,626,185	\$1,095,920	7,722,105
Interest	265,530	218	265,748
Tuition and Fees	117,606	999	118,605
Extracurricular Activities		161,835	161,835
Gifts and Donations		4,558	4,558
Miscellaneous	124,779	7,983	132,762
Total Revenues	<u>12,802,497</u>	<u>1,271,513</u>	<u>14,074,010</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,143,830	289,592	6,433,422
Special	1,179,655	464,148	1,643,803
Vocational	366,130		366,130
Support Services:			
Pupils	396,622	37,423	434,045
Instructional Staff	222,157	193,289	415,446
Board of Education	21,093	11,406	32,499
Administration	1,102,441	5,627	1,108,068
Fiscal	367,966		367,966
Operation and Maintenance of Plant	1,254,947	7,812	1,262,759
Pupil Transportation	580,246		580,246
Central	22,315		22,315
Extracurricular Activities		162,935	162,935
Debt Service:			
Principal Retirement		73,000	73,000
Interest and Fiscal Charges		13,507	13,507
Total Expenditures	<u>11,657,402</u>	<u>1,258,739</u>	<u>12,916,141</u>
Excess of Revenues Over Expenditures	<u>1,145,095</u>	<u>12,774</u>	<u>1,157,869</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In		92,010	92,010
Operating Transfers Out	(92,010)		(92,010)
Total Other Financing Sources (Uses)	<u>(92,010)</u>	<u>92,010</u>	
Net Change in Fund Balances	1,053,085	104,784	1,157,869
Fund Balances at Beginning of Year - Restated (Note 3)	<u>2,782,478</u>	<u>193,469</u>	<u>2,975,947</u>
Fund Balances at End of Year	<u>\$3,835,563</u>	<u>\$298,253</u>	<u>\$4,133,816</u>

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2000**

Net Change in Fund Balances - Total Governmental Funds \$1,157,869

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

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

Capital Assets	310,548	
Depreciation	<u>(310,064)</u>	484

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

Property Taxes	(9,084)	
Income Taxes	30,802	
Tuition and Fees	1,628	
Miscellaneous	103	
Intergovernmental	<u>(51,856)</u>	(28,407)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 73,000

In the statement of net activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 295

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

Intergovernmental Payable	(22,856)	
Compensated Absences Payable	<u>(34,573)</u>	(57,429)

Change in Net Assets of Governmental Activities \$1,145,812

**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, 2000**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$3,873,000	\$3,938,277	\$4,065,948	\$127,671
Income Taxes	1,582,623	1,587,601	1,587,601	
Intergovernmental	6,282,246	6,407,230	6,626,518	219,288
Interest	170,000	250,000	265,815	15,815
Tuition and Fees	127,135	130,805	119,349	(11,456)
Miscellaneous	19,000	70,000	69,635	(365)
Total Revenues	<u>12,054,004</u>	<u>12,383,913</u>	<u>12,734,866</u>	<u>350,953</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,544,893	6,480,856	6,134,698	346,158
Special	1,145,515	1,181,377	1,151,029	30,348
Vocational	408,503	373,183	374,023	(840)
Support Services:				
Pupils	397,189	416,933	398,968	17,965
Instructional Staff	233,990	229,694	221,079	8,615
Board of Education	27,050	27,050	23,135	3,915
Administration	1,152,959	1,158,371	1,094,138	64,233
Fiscal	400,895	415,195	376,363	38,832
Operation and Maintenance of Plant	1,830,277	1,752,078	1,536,110	215,968
Pupil Transportation	719,301	754,097	583,986	170,111
Central	7,500	22,315	22,315	
Total Expenditures	<u>12,868,072</u>	<u>12,811,149</u>	<u>11,915,844</u>	<u>895,305</u>
Excess of Revenues Over (Under) Expenditures	<u>(814,068)</u>	<u>(427,236)</u>	<u>819,022</u>	<u>1,246,258</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	60,000	66,292	76,648	10,356
Other Financing Sources	500	500	603	103
Advances In	25,000	25,000		(25,000)
Advances Out	(25,000)	(19,965)	(56,100)	(36,135)
Operating Transfers Out	(86,975)	(92,010)	(92,010)	
Total Other Financing Sources (Uses)	<u>(26,475)</u>	<u>(20,183)</u>	<u>(70,859)</u>	<u>(50,676)</u>
Net Change in Fund Balance	(840,543)	(447,419)	748,163	1,195,582
Fund Balance at Beginning of Year	3,095,179	3,095,179	3,095,179	
Prior Year Encumbrances Appropriated	207,436	207,436	207,436	
Fund Balance at End of Year	<u>\$2,462,072</u>	<u>\$2,855,196</u>	<u>\$4,050,778</u>	<u>\$1,195,582</u>

See Accompanying Notes to the Basic Financial Statements.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS  
BUSINESS-TYPE ACTIVITY  
JUNE 30, 2000**

	<b>Food Service</b>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$35,169
Receivables:	
Accounts	72
Intergovernmental	23,135
Prepaid Items	52
Inventory Held for Resale	12,371
Materials and Supplies Inventory	4,133
Total Current Assets	74,932
Capital Assets, Net	55,483
Total Assets	130,415
<u>Liabilities:</u>	
Accounts Payable	2,436
Accrued Wages and Benefits Payable	32,935
Intergovernmental Payable	30,524
Deferred Revenue	5,963
Total Current Liabilities	71,858
Long-Term Liabilities:	
Compensated Absences Payable	22,100
Total Liabilities	93,958
<u>Net Assets:</u>	
Invested in Capital Assets	55,483
Unrestricted (Deficit)	(19,026)
Total Net Assets	\$36,457

*See Accompanying Notes to the Basic Financial Statements.*

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
BUSINESS-TYPE ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Food Service</b>
<u>Operating Revenues:</u>	
Sales	\$391,980
Other Operating Revenues	2,822
Total Operating Revenues	394,802
<u>Operating Expenses:</u>	
Salaries	223,343
Fringe Benefits	86,196
Purchased Services	15,440
Materials and Supplies	7,904
Cost of Sales	352,130
Depreciation	7,028
Total Operating Expenses	692,041
Operating Loss	(297,239)
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	53,937
Operating Grants	226,896
Interest	1,554
Total Non-Operating Revenues	282,387
Loss Before Contributions	(14,852)
Capital Contributions	16,317
Change in Net Assets	1,465
Net Assets at Beginning of Year - Restated (Note 3)	34,992
Net Assets at End of Year	\$36,457

*See Accompanying Notes to the Basic Financial Statements.*



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF CASH FLOWS  
BUSINESS-TYPE ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Food Service</b>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$391,980
Cash Payments for Salaries	(218,232)
Cash Payments for Fringe Benefits	(94,015)
Cash Payments to Suppliers for Goods and Services	(325,842)
Cash Received from Other Operating Revenues	2,834
Net Cash Used for Operating Activities	(243,275)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Cash Received from Operating Grants	241,322
<u>Cash Flows from Investing Activities:</u>	
Cash Received from Investments	1,554
Net Decrease in Cash and Cash Equivalents	(399)
Cash and Cash Equivalents at Beginning of Year	35,568
Cash and Cash Equivalents at End of Year	\$35,169
Reconciliation of Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$297,239)
Adjustments to Reconcile Operating Loss	
<u>to Net Cash Used for Operating Activities:</u>	
Depreciation	7,028
Donated Commodities Used During Year	53,937
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	12
Decrease in Prepaid Items	61
Increase in Inventory Held for Resale	(2,251)
Increase in Materials and Supplies Inventory	(1,454)
Decrease in Accounts Payable	(600)
Increase in Accrued Wages and Benefits Payable	1,317
Increase in Compensated Absences Payable	5,965
Decrease in Intergovernmental Payable	(10,051)
Net Cash Used for Operating Activities	(\$243,275)

Non-Cash Transactions

During 2000, the School District's governmental funds acquired fixed assets, in the amount of \$16,317, and donated them to the food service enterprise fund.

*See Accompanying Notes to the Basic Financial Statements.*

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2000**

	<u>Private Purpose Trust</u>	
	<u>Fred Welter Trust</u>	<u>Agency</u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	<u>\$835</u>	<u>\$19,755</u>
<u>Liabilities:</u>		
Due to Students		<u>\$19,755</u>
<u>Net Assets:</u>		
Held in Trust for Needy Students	<u>\$835</u>	

*See Accompanying Notes to the Basic Financial Statements.*

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUND 30, 2000**

	<u>Private Purpose Trust</u>
	<u>Fred Welter Trust</u>
<u>Additions:</u>	
<u>Deductions:</u>	
Operation of Non-Instructional Services	\$2,641
Change in Net Assets	(2,641)
Net Assets at Beginning of Year	3,476
Net Assets at End of Year	<u><u>\$835</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

**This page intentionally left blank.**

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**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 statute and/or 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, Lynn, McDonald, Taylor Creek, Dudley, and Goshen Townships, and the City of Kenton. The School District is the 257th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by ninety-four classified employees, one hundred fifty-eight certified teaching personnel, and ten administrative employees who provide services to 2,246 students and other community members. The School District currently operates eleven instructional/support buildings.

**A. Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 is associated with three jointly governed organizations and two insurance pools. These organizations are the Ohio Hi-Point Joint Vocational School, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Kenton City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds 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 statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-wide Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the School District and for each program 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**2. Fund Financial Statements**

Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The Food Service enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

**1. Governmental Funds:**

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

**General Fund** - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

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

**2. Proprietary Fund:**

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

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

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**3. Fiduciary Funds:**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs.

The School District's only trust fund is a private purpose trust which accounts for a program that provides assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Basis of Accounting**

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

**1. Revenues - Exchange and 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, taxpayer-assessed income taxes, grants, investment earnings, tuition, and student fees.



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Deferred Revenue**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2000, but which were levied to finance fiscal year 2001 operations, have been 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 have also been reported as deferred revenue.

**3. Expenditures/Expenses**

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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Hardin County Budget Commission for rate determination.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The School District had several supplemental appropriation resolutions during fiscal year 2000.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts on the statements of budgetary comparisons represent the final appropriation amounts. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2000, investments were limited to repurchase agreements and nonnegotiable certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

By Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$265,530, which includes \$11,869 assigned from other School District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of the Food Service enterprise fund are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Buildings Improvements	15 - 30 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Interfund**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets.

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. In the Food Service enterprise fund, the entire amount of compensated absences is reported as a fund liability.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Energy Conservation Notes are recognized as a liability on the fund financial statements when due.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance Reserves and Designations**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents revenues set aside that exceed statutorily required amounts.

**O. Operating Revenues and Expenses**

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

**P. Contributions of Capital**

Contributions of capital in Food Service enterprise fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**Q. Interfund Transactions**

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

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

**R. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

**A. Changes in Accounting Principles**

For fiscal year 2000, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 33, "Accounting and Financial Reporting for Nonexchange Transactions"; GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 33 establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing of recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established in GASB Statement No. 33 for accrual-basis recognition will have been met and the revenues will be available.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between governmental and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 1999, caused by the conversion to the accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 1999.

The School District elected to change the capital asset capitalization criteria from \$25 to \$1,000 in the current fiscal year. This change resulted in a restatement of capital assets for the Governmental Funds and Business-Type Activity. As of June 30, 1999, the General Fixed Asset Account Group reported \$9,376,466 in gross fixed assets. Implementation of GASB 34 results in reporting the General Fixed Asset Account Group as Governmental Capital Assets. The change in capitalization criteria reduced the gross Capital Assets to \$5,977,330. The Food Service enterprise fund restatement table below reflects the adjustment required for the change in capital asset threshold.

**B. Restatement of Fund Balance**

The restatements for GASB Statement No. 33, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE  
(Continued)**

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor	Total Governmental Activities
Fund Balance June 30, 1999	\$2,732,156	\$129,390	\$2,861,546
GASB 34 Adjustments:			
Change in Fund Structure	22,020	0	22,020
GASB 33 Adjustments:			
Intergovernmental Receivable	0	50,000	50,000
Interpretation 6 Adjustments:			
Compensated Absences Payable	28,302	0	28,302
Correction of an error		14,079	14,079
Adjusted Fund Balance	\$2,782,478	\$193,469	2,975,947
GASB 34 Adjustments:			
Income Taxes Receivable Deferred on Fund Level			104,542
Intergovernmental Receivable Deferred on Fund Level			129,282
Capital Assets (net of \$3,236,511 Depreciation)			2,740,819
Accrued Interest Payable			(1,273)
Long-Term Liabilities			(1,196,615)
Long-Term (Deferred) Assets			32,738
Governmental Activities Net Assets at June 30, 1999			\$4,785,440

At June 30, 1999, capital assets were adjusted due to a change in threshold by the School District in the Food Service enterprise fund. This restatement had the following effect on fund equity as it was previously reported:

	Business-Type Activities
Fund Equity June 30, 1999	\$68,930
GASB 34 Adjustments:	
Change in Fund Structure	(22,020)
Change in Threshold:	
Capital Assets	(11,918)
Adjusted Net Assets at June 30, 1999	\$34,992



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2000, the Reducing Class Size and Miscellaneous State Grants special revenue funds had deficit fund balances of \$13,424 and \$4,102. The General Fund is liable for any deficits in these funds when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**B. Compliance**

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 2000.

Fund Type/Fund/Function	Appropriations	Expenditures	Excess
General Fund			
Vocational Instruction	\$373,183	\$374,023	\$840
Advances Out	19,965	56,100	36,135

**5. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund net assets on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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).

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

Net Change in Fund Balance Major Governmental Fund	General
GAAP Basis	\$1,053,085
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1999, Received In Cash FY 2000	679,790
Accrued FY 2000, Not Yet Received in Cash	(680,170)
Expenditure Accruals:	
Accrued FY 1999, Paid in Cash FY 2000	(1,230,067)
Accrued FY 2000, Not Yet Paid in Cash	1,336,767
Prepaid Items	(5,260)
Advances Out	(56,100)
Loans Receivable:	
Issued	(12,655)
Repayments	10,000
Encumbrances Outstanding at Year End (Budget Basis)	(347,227)
Budget Basis	\$748,163

**6. DEPOSITS AND INVESTMENTS**

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

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

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

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(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.

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

Interim monies may be 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

At fiscal year end, the School District had \$1,449 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was (\$145,440) and the bank balance was \$119,244. Of the bank balance, \$102,000 was covered by federal depository insurance and \$17,244 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in repurchase agreements, which are Category 3 investments, had a carrying amount of \$4,874,348 and a fair value of \$4,875,231 at June 30, 2000.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$4,730,357	\$0
Cash on Hand	(1,449)	0
Repurchase Agreements	(4,874,348)	4,874,348
GASB Statement No. 3	(\$145,440)	\$4,874,348

**7. 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.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hardin and Wyandot Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2000 operations. For the fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$154,188 in the General Fund. The amount available as an advance at June 30, 1999, was \$159,585 in the General Fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$78,222,580	49.32%	\$95,513,720	53.27%
Industrial/Commercial	29,728,460	18.75	32,009,700	17.85
Public Utility	11,120,790	7.01	10,852,390	6.05
Tangible Personal	39,511,988	24.92	40,931,215	22.83
Total Assessed Value	<u>\$158,583,818</u>	<u>100.00%</u>	<u>\$179,307,025</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.20		\$34.20	

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**8. INCOME TAXES**

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

**9. RECEIVABLES**

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (rent and student fees), intergovernmental, accrued interest, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	\$5,562
Title I	270,742
Reducing Class Size	11,336
Total Governmental Activities	<u>287,640</u>
Business-Type Activities	
Food Service Lunch Reimbursement	23,135
Total Intergovernmental Receivables	<u><u>\$310,775</u></u>

**10. LOANS RECEIVABLE**

On January 16, 1996, the Board of Education made a loan to the Band Boosters, in the amount of \$24,273. The interest free loan was for a five year period. During fiscal year 2000, the Board of Education received a \$10,000 payment. On September 28, 1999, the Board of Education made an additional loan to the Band Boosters, in the amount of \$12,655. The interest free loan was in addition to the previously existing loan. At June 30, 2000, the outstanding balance on the loans were \$11,928.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**11. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2000, was as follows:

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
<b>Governmental Activities</b>				
Land	\$639,380	\$0	\$0	\$639,380
Land Improvements	258,890	64,500	0	323,390
Buildings and Buildings Improvements	3,053,895	78,335	0	3,132,230
Furniture and Fixtures	1,167,625	56,416	(3,926)	1,220,115
Vehicles	780,575	105,798	(64,465)	821,908
Equipment	76,965	5,499	0	82,464
Totals at Historical Cost	<u>5,977,330</u>	<u>310,548</u>	<u>(68,391)</u>	<u>6,219,487</u>
Less Accumulated Depreciation:				
Land Improvements	(250,235)	(3,675)	0	(253,910)
Buildings and Building Improvements	(1,847,098)	(94,358)	0	(1,941,456)
Furniture and Fixtures	(614,563)	(158,221)	3,926	(768,858)
Vehicles	(477,829)	(49,350)	64,465	(462,714)
Equipment	(46,786)	(4,460)	0	(51,246)
Total Accumulated Depreciation	<u>(3,236,511)</u>	<u>(310,064)</u>	<u>68,391</u>	<u>(3,478,184)</u>
Governmental Activities Capital Assets, Net	<u>\$2,740,819</u>	<u>\$484</u>	<u>\$ 0</u>	<u>\$2,741,303</u>
	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
<b>Business-Type Activities</b>				
Buildings and Building Improvements	\$12,960	\$0	\$0	\$12,960
Vehicles	21,600	0	0	21,600
Equipment	152,891	16,317	(44,222)	124,986
Totals at Historical Cost	<u>187,451</u>	<u>16,317</u>	<u>(44,222)</u>	<u>159,546</u>
Less Accumulated Depreciation:				
Buildings and Building Improvements	(2,977)	(610)	0	(3,587)
Vehicles	(11,880)	(2,160)	0	(14,040)
Equipment	(126,400)	(4,258)	44,222	(86,436)
Less Accumulated Depreciation	<u>(141,257)</u>	<u>(7,028)</u>	<u>44,222</u>	<u>(104,063)</u>
Business-Type Activities Capital Assets, Net	<u>\$46,194</u>	<u>\$9,289</u>	<u>\$0</u>	<u>\$55,483</u>

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**11. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$209,227
Special	4,425
Vocational	1,587
Support Services:	
Pupil	4,434
Instructional Staff	12,220
Administration	6,469
Fiscal	5,314
Operation and Maintenance of Plant	24,202
Pupil Transportation	<u>42,186</u>
Total Depreciation Expense	<u><u>\$310,064</u></u>

**12. RESTRICTED ASSETS**

The following amounts, which are reflected on the statement of net assets, are restricted for various purposes.

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$465,880
Receivables:	
Accounts	448
Intergovernmental	282,078
Accrued Interest	125
Prepaid Items	<u>3,607</u>
Total Restricted Assets	752,138
Less Liabilities Payable from Restricted Assets	<u>196,675</u>
Restricted Net Assets	<u><u>\$555,463</u></u>

**13. INTERFUND ASSETS/LIABILITIES**

As of June 30, 2000, on the fund financial statements, the Title I and Reducing Class Size special revenue funds owed the General Fund \$52,000 and \$4,100, respectively. These amounts are represented as "Interfund Receivable/Payable" on the balance sheet.



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**14. 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 2000, the School District contracted for the following insurance coverages:

Coverages provided by Nationwide/Wausau Insurance are as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$36,107,100
Boiler and Machinery (\$1,000 deductible)	18,065,300
Employee Dishonesty - per loss	2,000
Commercial Crime	2,000
Hardware and Software (\$100 deductible; \$1,000 breakdown)	500,000
Audio Visual Equipment (\$100 deductible)	787,832
Music Instruments and Band Uniforms (\$100 deductible)	\$446,491
Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
Medical Payments - per person	5,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	5,000,000

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

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

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**14. RISK MANAGEMENT (Continued)**

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

**15. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$401,138, \$368,660, and \$650,884, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is \$64,759.

**B. School Employees Retirement System**

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

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**15. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$85,389, \$110,012, and \$99,482, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is \$43,032.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**16. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$534,850 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

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

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**16. POSTEMPLOYMENT BENEFITS (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$158,993 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**17. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**18. LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00	Amounts Due in One Year
Government Type Activities:					
Energy Conservation Notes FY 1994 4.85%	\$315,000	\$0	(\$73,000)	\$242,000	\$77,000
Compensated Absences	807,657	385,614	(343,588)	849,683	222,673
Total Government Activities Long Term Liabilities	<u>\$1,122,657</u>	<u>\$385,614</u>	<u>(\$416,588)</u>	<u>\$1,091,683</u>	<u>\$299,673</u>
Business Type Activities:					
Compensated Absences	<u>\$16,135</u>	<u>\$16,008</u>	<u>(\$10,043)</u>	<u>\$22,100</u>	<u>\$6,020</u>

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

Compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$16,137,632 with an unvoted debt margin of \$179,307 at June 30, 2000.

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2000, were as follows:

Fiscal Year Ending	Principal	Interest	Total
2001	\$77,000	\$9,870	\$86,870
2002	81,000	6,038	87,038
2003	84,000	2,037	86,037
Totals	<u>\$242,000</u>	<u>\$17,945</u>	<u>\$259,945</u>

**19. SET-ASIDES**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**19. SET-ASIDES (Continued)**

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 1999	\$0	\$0	\$157,876
Current Year Set Aside Requirement	293,026	293,026	97,675
Current Year Offset	0	0	(66,264)
Qualifying Expenditures	(423,086)	(472,990)	0
Balance June 30, 2000	<u>(\$130,060)</u>	<u>(\$179,964)</u>	<u>\$189,287</u>
Amount Carried Forward to Fiscal Year 2001	<u>\$0</u>	<u>\$0</u>	<u>\$189,287</u>

The School District had qualifying expenditures during the year that reduced the textbooks and capital improvements set aside amounts below zero; however, the School District has chosen not to use these amounts to reduce the set aside requirement of future years. The total reserve balance for the set asides at the end of the fiscal year was \$189,287.

**20. JOINTLY GOVERNED ORGANIZATION**

**A. Ohio Hi-Point Joint Vocational School**

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

**B. West Central Regional Professional Development Center**

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

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

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**20. JOINTLY GOVERNED ORGANIZATION (Continued)**

**C. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent of the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**21. INSURANCE POOLS**

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

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

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

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

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

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**22. SCHOOL FOUNDATION PROGRAM**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$6,235,586 of school foundation support for its General Fund.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**22. SCHOOL FOUNDATION PROGRAM (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**23. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

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



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$45,858	\$0	\$49,759
National School Breakfast Program	05-PU	10.553	\$36,460	\$0	\$36,460	\$0
National School Lunch Program	04-PU	10.555	189,492	0	189,492	0
Total Department of Agriculture - Nutrition Cluster			<u>225,952</u>	<u>45,858</u>	<u>225,952</u>	<u>49,759</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF 99 P	84.027	127,107	0	121,615	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1 99	84.010	179,282	0	220,201	0
	C1-S1 00	84.010	242,518	0	293,652	0
Total ESEA Title I			<u>421,800</u>	<u>0</u>	<u>513,853</u>	<u>0</u>
Innovative Educational Program Strategies	C2-S1 99	84.298	1,471	0	1,471	0
	C2-S1 00	84.298	11,113	0	11,113	0
Total Innovative Educational Program Strategies			<u>12,584</u>	<u>0</u>	<u>12,584</u>	<u>0</u>
Safe and Drug Free Schools	DR-S1 00	84.186	9,481	0	9,481	0
Eisenhower Professional Development State Grants (Title II, Part B)	M1-S1 99	84.281	14,079	0	10,027	0
	M1-S1 00	84.281	11,570	0	0	0
Total Eisenhower Professional Development			<u>25,649</u>	<u>0</u>	<u>10,027</u>	<u>0</u>
Class Size Reduction	CR-S1 00	84.340	47,716	0	51,742	0
Total Department of Education			<u>644,337</u>	<u>0</u>	<u>719,302</u>	<u>0</u>
<b>Total Federal Awards</b>			<u><u>\$870,289</u></u>	<u><u>\$45,858</u></u>	<u><u>\$945,254</u></u>	<u><u>\$49,759</u></u>

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

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - BASIS OF ACCOUNTING**

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

**NOTE C - REIMBURSEMENT GRANTS**

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

**NOTE D - FOOD DISTRIBUTION PROGRAM**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Federal Awards Expenditures at the fair market value of the commodities received and consumed. At June 30, 1999, the District had \$5,963 of food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

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

To the Board of Education:

We have audited the financial statements of the Kenton City School District, Hardin County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated March 7, 2001, wherein we noted the District implemented Governmental Accounting Standards Board Statement numbers 33 and 34 and Interpretation 6 and changed the capital asset capitalization threshold. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Kenton City School District in a separate letter dated March 7, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10233-001.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 7, 2001.

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

**Jim Petro**  
Auditor of State

March 7, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Kenton City School District, Hardin County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated March 7, 2001.

**Internal Control Over Compliance**

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

**Internal Control Over Compliance  
(Continued)**

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2000-10233-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

**Jim Petro**  
Auditor of State

March 7, 2001

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**JUNE 30, 2000**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster: CFDA #'s 10.550; 10.553; 10.555.
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**JUNE 30, 2000**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

<b>Finding Number</b>	<b>2000-10233-001</b>
-----------------------	-----------------------

**Food Services - Nutrition Cluster**

The District had the following errors in the food services program. These errors associated with the Government Donated Commodities and Inventory resulted in a material misstatement of inventory, which has been corrected in the accompanying financial statements. The remaining problems noted were individually insignificant, however the overall lack of monitoring over the food services program and lack of accuracy of records and procedures could lead to material misstatements to the financial statements.

**1. Government Donated Commodities**

- A. The October 1999 and December 1999 "Physical Cost Summary Report" ending inventory amount did not agree with the amount reported on the Ohio Department of Education MR-30.
- B. Beginning in October 1999, the price of commodities had been incorrectly adjusted in the computer for the "Physical Cost Summary Report" resulting in an understatement of the value of commodities at fiscal year-end and an overstatement of commodities used during the year (\$4,179).
- C. Commodities received were correctly valued at market value however commodities in ending inventory each month were incorrectly valued at the freight charge paid by the school.
- D. Inventory should be priced on a First In-First Out basis. Prices were not always updated to properly report on this cost basis.

**2. Inventory Observations**

There were 28 different category of items which were observed in inventory which were not included on the ending inventory list. In some instances, the physical observation counts did not agree with the number of items on the ending inventory list.

**3. Eligibility Determinations**

- A. There were three applications on file which did not indicate whether the application was approved for free or reduced meals and were not signed for approval by the food service director. These applications were included in the total count of free and reduced approved applications.
- B. There were two students selected for the eligibility verification whose status changed from free to reduced as a result of the verification process. The Verification Summary Report was not correctly completed to indicate this change.

**4. Reimbursements for Free and Reduced Meals**

- A. The District submitted reimbursement requests for more free and reduced meals than the number of applications on file.
- B. The District double counted meals for one day in September 1999 and two days in May 2000 which resulted in overpayments from Federal and State.



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**JUNE 30, 2000**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

<b>Finding Number (continued)</b>	<b>2000-10233-001</b>
-----------------------------------	-----------------------

**Food Services - Nutrition Cluster (continued)**

**5. Supervisory Review**

There was no evidence maintained to document a supervisory review of the CN reports. The CN reports maintain daily and monthly counts of meals served and lunch revenues and are the source documentation for the reimbursement requests for free and reduced lunches. As noted above, the CN reports contained various errors.

Failure to properly monitor, supervise, and report accurately for the National School Lunch, Food Distribution, and School Breakfast programs which comprise the Federal Financial Assistance Nutrition Cluster, could lead to forfeiture of the program and its benefits to the District.

The District should monitor the food service program and determine that inventory is being properly valued, counted, and reported; that eligibility requirements are being properly reviewed and that meals served are being properly reported. The District should document the procedures and results of their review and monitoring procedures.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

See Item 2000-10233-001 under Finding Related to the Financial Statements Required to be Reported in Accordance with GAGAS.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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

**KENTON CITY SCHOOL DISTRICT**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 10, 2001**