



Mary Taylor, CPA
Auditor of State

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Kenton City School District, Hardin County, (the School District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Kenton City School District, Hardin County, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America require. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 27, 2009

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Kenton City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2008 are as follows:

- In total, net assets decreased by \$416,616, or almost 7 percent. For fiscal year 2008, revenues remained flat and increases in expenses (largely costs of special education) contributed to this decrease.

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in a single column. For the School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, all of the School District activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007:

Table 1			
Net Assets			
	Governmental Activities		Changes
	2008	2007	
Assets:			
Current and Other Assets	\$9,307,158	\$9,913,862	(\$606,704)
Capital Assets, Net	3,216,291	3,467,593	(251,302)
Total Assets	<u>12,523,449</u>	<u>13,381,455</u>	<u>(858,006)</u>
Liabilities:			
Current and Other Liabilities	5,705,872	6,159,234	453,362
Long-Term Liabilities	1,059,148	1,047,176	(11,972)
Total Liabilities	<u>6,765,020</u>	<u>7,206,410</u>	<u>441,390</u>
Net Assets:			
Invested in Capital Assets	3,216,291	3,467,593	(251,302)
Restricted	191,209	220,037	(28,838)
Unrestricted	2,350,929	2,487,415	(136,586)
Total Net Assets	<u>\$5,758,429</u>	<u>\$6,175,045</u>	<u>(\$416,616)</u>

In general, the changes in assets and liabilities were not that significant, and there was a decrease in total liabilities. However, with the decrease in total assets almost twice that of the liabilities, the result was an overall decrease in net assets.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2008 and 2007.

**Table 2
Change in Net Assets**

	Governmental Activities		Change
	2008	2007	
Revenues:			
Program Revenues			
Charges for Services	\$1,277,747	\$1,345,443	(\$ 67,696)
Operating Grants, Contributions, and Interest	2,170,972	2,140,047	30,925
Capital Grants and Contributions	20,305	39,786	(19,481)
Total Program Revenues	<u>3,469,024</u>	<u>3,525,276</u>	<u>(56,252)</u>
General Revenues			
Property Taxes	4,294,708	4,625,170	(330,462)
Income Taxes	1,859,665	1,873,694	(14,029)
Grants and Entitlements	8,928,407	8,498,576	429,831
Interest	245,567	248,780	(3,213)
Gifts and Donations		9,636	(9,636)
Miscellaneous	79,856	64,454	15,402
Total General Revenues	<u>15,408,203</u>	<u>15,320,310</u>	<u>87,893</u>
Total Revenues	<u>18,877,227</u>	<u>18,845,586</u>	<u>31,641</u>
Expenses:			
Instruction:			
Regular	9,422,671	9,530,277	107,606
Special	2,395,452	1,890,322	(505,130)
Vocational	276,037	287,123	11,086
Support Services:			
Pupils	562,394	731,577	169,183
Instructional Staff	754,943	829,191	74,248
Board of Education	48,986	37,907	(11,079)
Administration	1,686,246	1,714,006	27,760
Fiscal	465,803	465,985	182
Operation and Maintenance of Plant	1,782,003	1,552,435	(229,568)
Pupil Transportation	714,685	646,307	(68,378)
Central	35,077	40,302	5,225
Non-Instructional Services	885,962	806,186	(79,776)
Extracurricular Activities	263,584	249,310	(14,274)
Total Expenses	<u>19,293,843</u>	<u>18,780,928</u>	<u>(512,915)</u>
Increase in Net Assets	(416,616)	64,658	(481,274)
Net Assets at Beginning of Year	6,175,045	6,110,387	64,658
Net Assets at End of Year	<u>\$5,758,429</u>	<u>\$6,175,045</u>	<u>(\$416,616)</u>

Both program revenues and general revenues remained very comparable to the prior fiscal year with an increase in total revenues of less than 1 percent. The decrease in property taxes, due to the loss of tangible personal property, is offset by the increase in grants and entitlements, which is the State's current reimbursement for this loss.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
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(Continued)**

Although the 3 percent increase in overall expenses is not significant, unfortunately it exceeds the revenue increase and, therefore, the result is a decrease in overall net assets. The most significant changes in expenses are related to the increases in special instruction and operation and maintenance costs. For special instruction, not only did costs increase but there was also a decrease in grant funding in fiscal year 2008. Operation and maintenance costs can be expected to continue to increase due to the School District's aging buildings.

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$9,422,671	\$9,530,277	\$8,502,218	\$8,457,671
Special	2,395,452	1,890,322	1,016,407	472,892
Vocational	276,037	287,123	229,341	243,360
Support Services:				
Pupils	562,394	731,577	543,271	714,272
Instructional Staff	754,943	829,191	754,943	829,191
Board of Education	48,986	37,907	48,986	37,907
Administration	1,686,246	1,714,006	1,686,246	1,714,006
Fiscal	465,803	465,985	465,803	465,985
Operation and Maintenance of Plant	1,782,003	1,552,435	1,782,003	1,552,435
Pupil Transportation	714,685	646,307	670,022	595,288
Central	35,077	40,302	35,077	40,302
Non-Instructional Services	885,962	806,186	3,945	48,200
Extracurricular Activities	263,584	249,310	86,557	84,143
Total Expenses	<u>\$19,293,843</u>	<u>\$18,780,928</u>	<u>\$15,824,819</u>	<u>\$15,255,652</u>

The table above demonstrates that program expenses as well as the net costs of providing the programs remained fairly comparable to the prior fiscal year. A review will further demonstrate that several of the programs receive a significant amount of support from program revenues. The special instruction program receives a significant number of state and federal grants for special instruction purposes; however, this support decreased 3 percent from the prior fiscal year. Non-instructional services, which represents the cafeteria, receives program revenues from lunch sales and federal subsidies for food service operations. Extracurricular activities costs are paid for through admission charges for athletic events as well as from music and drama productions.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund is the School District's only major fund. Although revenues and expenditures were quite comparable to the prior fiscal year, expenditures exceeded revenues in fiscal year 2008 and required cash carryover spending. As a result, there was a 6 percent decrease in fund balance.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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 fiscal year 2008, the School District amended its General Fund budget on a limited basis.

For revenues, the changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant.

While changes from the original budget to the final budget were not that significant, there were some moderate changes from the final budget to actual expenditures. Decisions were made late in the fiscal year regarding what positions and projects would be eliminated. These changes were not adjusted in the final budget.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2008, the School District had \$3,216,291 invested in capital assets (net of accumulated depreciation), a decrease of \$251,302, or just over 7 percent. This decrease was due to the fact that depreciation exceeded additions for the fiscal year. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt - At June 30, 2008, the only long-term obligation was for compensated absences.

Current Issues

The Kenton City School District is in a state of slow economic down turn. Some of the industrial manufacturing plants within our community are still cutting back on the number of employees and lowering their wages and benefits. This has caused our community to be less giving with the School District's requests for additional operating and bond issue monies to build new schools under the Ohio Schools Facilities Project. The School District suffered two defeats on bond issues with the Ohio School Facilities project to build all new schools K through 12.

The School District has a need for additional revenue to continue to operate at current levels through fiscal year 2010. With an additional income tax levy not taking effect until January 1 of the year following passage, it is critical to the School District that a levy be passed. While the voters having already turned down a .75 percent income tax, the Board of Education lived within its means through staff reductions and limiting budgets in fiscal year 2007. In fiscal year 2008, with little staff reduction, the Board overspent. Declining enrollment also reduces revenues but has allowed the Board of Education to reduce staff without effecting course offerings or hurting educational programs so far. However, by not making cuts in fiscal year 2008, over spending occurred and further reductions will affect course selection.

The School District is still very concerned with the impact of H.B. 66 which eliminated the tangible property tax collections. The State has promised to hold harmless the loss of taxes through State funding, and so far they have kept their word. However, that could change at any time with the decline in the economy with the various cuts in the State budget. In other tax collections, real estate in the current fiscal year showed a 2.6 percent increase over the prior year. To complicate things further, the agricultural farm land values declined, shifting a heavier tax burden to the residential taxpayer, thus causing an even larger increase to home owners. The income tax has still shown positive growth but with cutbacks in industry and retail, it is difficult to imagine this will continue.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The passage of additional operating monies or a change in the way the State of Ohio funds schools is the only chance we have of maintaining our existing school programs as they are today. Our Board of Education is committed in passing a bond issue to build new schools and operate them efficiently and living within our budget.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Steve Ashba, Treasurer, Kenton City School District, 222 West Carrol Street, Kenton, Ohio 43326.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$4,434,502
Accounts Receivable	8,758
Accrued Interest Receivable	49,483
Intergovernmental Receivable	140,499
Income Taxes Receivable	763,592
Prepaid Items	55,803
Inventory Held for Resale	3,368
Materials and Supplies Inventory	1,317
Property Taxes Receivable	3,849,836
Nondepreciable Capital Assets	651,089
Depreciable Capital Assets, Net	2,565,202
Total Assets	12,523,449
 Liabilities:	
Accounts Payable	39,813
Contracts Payable	12,450
Accrued Wages and Benefits Payable	1,722,058
Matured Compensated Absences Payable	86,056
Intergovernmental Payable	463,596
Deferred Revenue	3,381,899
Long-Term Liabilities:	
Due Within One Year	53,118
Due in More Than One Year	1,006,030
Total Liabilities	6,765,020
 Net Assets:	
Invested in Capital Assets	3,216,291
Restricted For:	
Set Asides	68,364
Other Purposes	122,845
Unrestricted	2,350,929
Total Net Assets	\$5,758,429

See accompanying notes to basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$9,422,671	\$718,390	\$202,063		(\$8,502,218)
Special	2,395,452		1,379,045		(1,016,407)
Vocational	276,037		46,696		(229,341)
Support Services:					
Pupils	562,394		7,123	\$12,000	(543,271)
Instructional Staff	754,943				(754,943)
Board of Education	48,986				(48,986)
Administration	1,686,246				(1,686,246)
Fiscal	465,803				(465,803)
Operation and Maintenance of Plant	1,782,003				(1,782,003)
Pupil Transportation	714,685	15,618	20,740	8,305	(670,022)
Central	35,077				(35,077)
Non-Instructional Services	885,962	370,640	511,377		(3,945)
Extracurricular Activities	263,584	173,099	3,928		(86,557)
Total Governmental Activities	<u>\$19,293,843</u>	<u>\$1,277,747</u>	<u>\$2,170,972</u>	<u>\$20,305</u>	<u>(15,824,819)</u>
General Revenues:					
					4,294,708
					1,859,665
					8,928,407
					245,567
					79,856
					<u>15,408,203</u>
					(416,616)
					6,175,045
					<u>\$5,758,429</u>

See accompanying notes to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,115,550	\$231,200	\$4,346,750
Accounts Receivable	8,597	161	8,758
Accrued Interest Receivable	49,483		49,483
Intergovernmental Receivable	110,248	30,251	140,499
Income Taxes Receivable	763,592		763,592
Prepaid Items	55,803		55,803
Inventory Held for Resale		3,368	3,368
Materials and Supplies Inventory		1,317	1,317
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	87,752		87,752
Property Taxes Receivable	3,849,836		3,849,836
Total Assets	<u><u>9,040,861</u></u>	<u><u>266,297</u></u>	<u><u>9,307,158</u></u>
Liabilities and Fund Balances:			
Liabilities			
Accounts Payable	33,186	6,627	39,813
Contracts Payable	12,450		12,450
Accrued Wages and Benefits Payable	1,561,134	160,924	1,722,058
Matured Compensated Absences Payable	86,056		86,056
Intergovernmental Payable	427,687	35,909	463,596
Deferred Revenue	3,688,541	30,251	3,718,792
Total Liabilities	<u><u>5,809,054</u></u>	<u><u>233,711</u></u>	<u><u>6,042,765</u></u>
Fund Balances:			
Reserved for Property Taxes	416,112		416,112
Reserved for Budget Stabilization	68,364		68,364
Reserved for Bus Purchase	19,388		19,388
Reserved for Encumbrances	140,581	18,419	159,000
Unreserved, Reported in:			
General Fund	2,587,362		2,587,362
Special Revenue Funds		14,167	14,167
Total Fund Balances	<u><u>3,231,807</u></u>	<u><u>32,586</u></u>	<u><u>3,264,393</u></u>
Total Liabilities and Fund Balances	<u><u>\$9,040,861</u></u>	<u><u>\$266,297</u></u>	<u><u>\$9,307,158</u></u>

See accompanying notes to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total Governmental Fund Balances		\$3,264,393
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
		3,216,291
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$5,765	
Accrued Interest Receivable	40,914	
Intergovernmental Receivable	126,468	
Income Taxes Receivable	111,921	
Property Taxes Receivable	51,825	
		336,893
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(1,059,148)</u>
Net Assets of Governmental Activities		<u><u>\$5,758,429</u></u>

See accompanying notes to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:			
Property Taxes	\$4,298,490		\$4,298,490
Income Taxes	1,884,151		1,884,151
Intergovernmental	9,436,819	\$1,594,819	11,031,638
Interest	215,414	350	215,764
Tuition and Fees	749,005		749,005
Extracurricular Activities		173,099	173,099
Charges for Services		370,640	370,640
Gifts and Donations		3,926	3,926
Miscellaneous	47,385	31,307	78,692
Total Revenues	<u>16,631,264</u>	<u>2,174,141</u>	<u>18,805,405</u>
Expenditures:			
Current:			
Instruction:			
Regular	9,194,552	157,029	9,351,581
Special	1,648,381	733,739	2,382,120
Vocational	269,652		269,652
Support Services:			
Pupils	531,163	21,581	552,744
Instructional Staff	540,396	192,250	732,646
Board of Education	48,986		48,986
Administration	1,691,593	10,869	1,702,462
Fiscal	457,516		457,516
Operation and Maintenance of Plant	1,729,282		1,729,282
Pupil Transportation	676,150		676,150
Central	35,077		35,077
Non-Instructional Services	22,750	851,306	874,056
Extracurricular Activities		218,297	218,297
Total Expenditures	<u>16,845,498</u>	<u>2,185,071</u>	<u>19,030,569</u>
Excess of Revenues Over (Under) Expenditures	<u>(214,234)</u>	<u>(10,930)</u>	<u>(225,164)</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	100		100
Transfers In		10,441	10,441
Transfers Out	(10,441)		(10,441)
Total Other Financing Sources (Uses)	<u>(10,341)</u>	<u>10,441</u>	<u>100</u>
Changes in Fund Balances	(224,575)	(489)	(225,064)
Fund Balances (Deficit) at Beginning of Year	3,456,382	33,075	3,489,457
Fund Balances at End of Year	<u>\$3,231,807</u>	<u>\$32,586</u>	<u>\$3,264,393</u>

See accompanying notes to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Changes in Fund Balances - Total Governmental Funds (\$225,064)

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

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

Capital Outlay - Nondepreciable Capital Assets	\$12,450	
Capital Outlay - Depreciable Capital Assets	55,669	
Depreciation	<u>(319,245)</u>	(251,126)

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

Loss on Disposal of Capital Assets	<u>(176)</u>	(176)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(3,782)	
Income Taxes	(24,486)	
Intergovernmental	83,770	
Interest	30,153	
Tuition and Fees	(14,997)	
Miscellaneous	<u>1,064</u>	71,722

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

(11,972)

Change in Net Assets of Governmental Activities (\$416,616)

See accompanying notes to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues:				
Property Taxes	\$3,901,794	\$4,276,808	\$4,148,649	(\$128,159)
Income Taxes	1,715,351	1,950,000	1,950,311	311
Intergovernmental	9,949,553	9,429,528	9,435,360	5,832
Interest	180,000	133,200	134,515	1,315
Tuition and Fees	853,175	766,847	753,579	(13,268)
Miscellaneous	26,700	26,700	20,516	(6,184)
Total Revenues	16,626,573	16,583,083	16,442,930	(140,153)
Expenditures:				
Current:				
Instruction:				
Regular	9,601,397	9,598,752	9,226,660	372,092
Special	1,704,810	1,757,726	1,636,775	120,951
Vocational	280,522	281,442	269,706	11,736
Support Services:				
Pupils	600,876	620,799	551,594	69,205
Instructional Staff	675,859	660,251	553,334	106,917
Board of Education	55,000	67,577	62,141	5,436
Administration	1,723,592	1,780,914	1,704,995	75,919
Fiscal	530,039	510,238	453,573	56,665
Operation and Maintenance of Plant	1,991,695	2,013,208	1,755,254	257,954
Pupil Transportation	737,363	807,156	750,789	56,367
Central	45,000	45,000	35,077	9,923
Non-Instructional Services		22,750	22,750	
Total Expenditures	17,946,153	18,165,813	17,022,648	1,143,165
Excess of Revenues Under Expenditures	(1,319,580)	(1,582,730)	(579,718)	1,003,012
Other Financing Sources (Uses):				
Sale of Capital Assets	100	100	100	
Refund of Prior Year Expenditures	7,325	27,825	28,325	500
Advances In	100,000	100,000		(100,000)
Advances Out	(75,000)			
Transfers Out	(60,000)	(60,000)	(10,441)	49,559
Total Other Financing Sources (Uses)	(27,575)	67,925	17,984	(49,941)
Changes in Fund Balance	(1,347,155)	(1,514,805)	(561,734)	953,071
Fund Balance at Beginning of Year	4,297,450	4,297,450	4,297,450	
Prior Year Encumbrances Appropriated	73,881	73,881	73,881	
Fund Balance at End of Year	\$3,024,176	\$2,856,526	\$3,809,597	\$953,071

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$7,129	\$24,829
Liabilities:		
Due to Students		\$24,829
Net Assets:		
Scholarships	6,501	
Held in Trust for Students	628	
Total Net Assets	\$7,129	

See accompanying notes to the basic financial statements.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Donations	\$5,007
Deductions:	
Non-Instructional Services	<u>5,062</u>
Change in Net Assets	(55)
Net Assets at Beginning of Year	<u>7,184</u>
Net Assets at End of Year	<u><u>\$7,129</u></u>

See accompanying notes to the basic financial statements.

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**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1888. The School District serves an area of approximately one hundred twelve square miles. It is located in Hardin and Wyandot Counties and includes all of Pleasant Township, portions of Cessna, Dudley, Goshen, Lynn, McDonald, and Taylor Creek Townships, and the City of Kenton. The School District is the 268th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-six classified employees, one hundred forty certified teaching personnel, and twenty-five administrative employees who provide services to 2,011 students and other community members. The School District currently operates eight instructional/support buildings.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Kenton City School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Ohio Hi-Point Joint Vocational School, Western Ohio Computer Organization, Schools of Ohio Risk Sharing Authority, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Kenton City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

2. Fund Financial Statements

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

B. Fund Accounting

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The private purpose trust funds are accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions

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

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

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

2. Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2008, investments included nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, and mutual funds. Nonnegotiable certificates of deposit are reported at cost. All other investments are reported at fair value, which is based on quoted market price or current share price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 was \$215,414, which includes \$3,302 assigned from other funds.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

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

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

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

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 50 years
Building and Building Improvements	13 - 75 years
Furniture and Fixtures	5 - 30 years
Equipment	5 - 30 years
Vehicles	10 - 15 years
Infrastructure	30 years

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants. As of June 30, 2008, there were no net assets restricted by enabling legislation.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

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

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

O. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenue and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$14,367 and \$57,815, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

Changes in Fund Balance	
GAAP Basis	(\$224,575)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	1,018,500
Accrued FY 2008, Not Yet Received in Cash	(1,093,215)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(2,057,704)
Accrued FY 2008, Not Yet Paid in Cash	2,120,513
Cash Adjustments:	
Unrecorded Activity FY 2007	115,861
Unrecorded Activity FY 2008	(201,155)
Prepaid Items	(47,409)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(192,550)
Budget Basis	(\$561,734)

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

A. Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$2,262,306 of the School District's bank balance of \$2,362,306 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

B. Investments

As of June 30, 2008, the School District had the following investments:

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$602,117	7/1/08
Federal Farm Credit Bank Bonds	81,918	10/23/09
Federal Farm Credit Bank Notes	150,981	12/6/10
Federal Home Loan Bank Bonds	240,595	4/15/09
Federal Home Loan Bank Bonds	102,010	3/17/10
Federal Home Loan Bank Notes	100,297	8/08/08
Federal Home Loan Bank Notes	140,877	1/07/09
Federal Home Loan Bank Notes	91,379	2/20/09
Federal Home Loan Bank Notes	92,130	9/18/09
Federal Home Loan Bank Notes	72,113	5/14/10
Federal Home Loan Mortgage Corporation Notes	100,959	12/19/08
Federal Home Loan Mortgage Corporation Notes	101,262	7/15/09
Federal National Mortgage Association Bonds	91,305	1/15/09
Federal National Mortgage Association Bonds	101,315	5/15/09
Federal National Mortgage Association Bonds	71,611	12/15/09
Federal National Mortgage Association Notes	100,598	10/15/08
Federal National Mortgage Association Notes	51,144	9/13/10
Mutual Fund	<u>10,661</u>	65 days average
Total Investments	<u>\$2,303,272</u>	

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

The securities underlying the repurchase agreement (Federal Home Loan Mortgage Corporation Bonds) and the federal agencies carry a rating of AAA by Moody's. The mutual fund consists entirely of U.S. treasury bills and notes and is not rated. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that repurchase agreements must be limited to investments listed in items 1 or 2 on page 28.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent. The School District has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Repurchase Agreement	\$602,117	26.14%
Federal Farm Credit Bank	232,899	10.11
Federal Home Loan Bank	839,401	36.44
Federal Home Loan Mortgage Corporation	202,221	8.78
Federal National Mortgage Association	415,973	18.06

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. RECEIVABLES

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Ohio Department of Taxation	\$96,217
State of Ohio	326
Ohio Department of Education	3,042
Auglaize County Educational Service Center	3,655
Hardin Northern Local School District	4,017
Miscellaneous	2,991
Total General Fund	\$110,248
Other Governmental Funds	
Title VI-B	15,459
Title I	7,106
Title V	1,748
Title II-A	987
Title II-D	4,951
Total Other Governmental Funds	30,251
Total Intergovernmental Receivables	140,499

7. INCOME TAXES

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

8. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received during calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received during calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received during calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received during calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$416,112 in the General Fund. The amount available as an advance at June 30, 2007, was \$266,271 in the General Fund.

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$122,696,760	63.26%	\$123,782,530	67.19%
Industrial/Commercial	39,176,370	20.20	39,650,410	21.52
Public Utility	8,876,820	4.58	7,346,940	3.99
Tangible Personal	23,201,280	11.96	13,454,870	7.30
Total Assessed Value	<u>\$193,951,230</u>	<u>100.00%</u>	<u>\$184,234,750</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.20		\$34.20	

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Restated Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 638,639			\$ 638,639
Construction in Progress		\$ 12,450		12,450
Total Non-depreciable Capital Assets	<u>638,639</u>	<u>12,450</u>		<u>651,089</u>
Depreciable Capital Assets				
Land Improvements	882,916			882,916
Buildings and Building Improvements	4,681,113			4,681,113
Furniture and Fixtures	1,884,552	50,669	(\$133,685)	1,801,536
Equipment	154,742	5,000		159,742
Vehicles	1,090,249		(38,339)	1,051,910
Infrastructure	15,850			15,850
Total Depreciable Capital Assets	<u>8,709,422</u>	<u>55,669</u>	<u>(172,024)</u>	<u>8,593,067</u>
Less Accumulated Depreciation				
Land Improvements	(387,208)	(38,460)		(425,668)
Buildings and Building Improvements	(3,341,645)	(125,652)		(3,467,297)
Furniture and Fixtures	(1,393,694)	(89,351)	133,685	(1,349,360)
Equipment	(89,119)	(12,060)		(101,179)
Vehicles	(666,118)	(53,194)	38,163	(681,149)
Infrastructure	(2,684)	(528)		(3,212)
Total Accumulated Depreciation	<u>(5,880,468)</u>	<u>(319,245)</u>	<u>171,848</u>	<u>(6,027,865)</u>
Depreciable Capital Assets, Net	<u>2,828,954</u>	<u>(263,576)</u>	<u>(176)</u>	<u>2,565,202</u>
Governmental Activities Capital Assets, Net	<u>\$3,467,593</u>	<u>(\$251,126)</u>	<u>(\$ 176)</u>	<u>\$3,216,291</u>

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$94,948
Special	9,289
Vocational	6,843
Support Services:	
Pupils	9,898
Instructional Staff	20,059
Administration	10,105
Fiscal	4,580
Operation and Maintenance of Plant	57,396
Pupil Transportation	41,349
Non-Instructional Services	12,949
Extracurricular Activities	51,829
Total Depreciation Expense	\$319,245

10. 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 2008, the School District contracted for the following insurance coverage.

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

Property	\$57,295,621
General Liability	
Per Occurrence	2,000,000
Aggregate	4,000,000
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000

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

For fiscal year 2008, the School District participated in the Schools of Ohio Risk Sharing Authority (SOSRA), an insurance purchasing pool. Each participant enters into an individual agreement with the SORSA for insurance coverage and pays annual premiums to the SORSA based on the types and limits of coverage and deductibles selected by the participant.

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

For fiscal year 2008, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. RISK MANAGEMENT (Continued)

The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

11. PENSION PLANS

A. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. PENSION PLANS (Continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,080,433, \$1,063,012, and \$1,051,845 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for the fiscal year 2008 were \$28,662 made by the School District and \$35,713 made by plan members.

B. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$191,091, \$211,936 and \$199,069 respectively; 43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2008, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$85,315, \$83,858, and \$82,109 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$31,466.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$87,201, \$70,363, and \$69,471 respectively; 43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$13,769, \$14,412, and \$15,844 respectively; 43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

14. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Long-Term Obligations					
Compensated Absences Payable	\$1,047,176	\$66,036	\$54,064	\$1,059,148	\$53,118

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

The School District's overall debt margin was \$14,714,909 with an unvoted debt margin of \$163,499 at June 30, 2008.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2008.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2006	(\$841,294)		\$68,364
Current Year Set Aside Requirement	320,373	\$320,373	
Qualifying Expenditures	(405,231)	(320,373)	
Balance Carried Forward to Fiscal Year 2009	<u>(\$926,152)</u>	<u>\$0</u>	<u>\$68,364</u>
Set Aside Reserve Balance June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$68,364</u>

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

16. INTERFUND TRANSFERS

During fiscal year 2008, the General Fund made transfers to other governmental funds, in the amount of \$10,441, to subsidize various programs in other funds.

17. JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Hi-Point Joint Vocational School

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2008, the School District paid \$58,436 to WOCO for various services. Financial information can be obtained from WOCO, 129 East Court Street, Sidney, Ohio 45365.

18. INSURANCE POOLS

A. Schools of Ohio Risk Sharing Authority

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

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

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

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

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

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

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

18. INSURANCE POOLS (Continued)

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.

19. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

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**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture (Passed through Ohio Department of Education)						
Food Donation	2008	10.550		\$60,261		\$60,261
Nutrition Cluster:						
School Breakfast Program	2008	10.553	\$91,076		\$91,076	
National School Lunch Program	2008	10.555	373,538		373,538	
Summer Food Service Program for Children	2008	10.559	7,002		7,002	
Total Nutrition Cluster			<u>471,616</u>		<u>471,616</u>	
Total U.S. Department of Agriculture			<u>471,616</u>	60,261	<u>471,616</u>	60,261
U.S. Department of Education (Passed through Ohio Department of Education)						
Title I Grants to Local Educational Agencies	2007	84.010	18,268		34,233	
	2008		411,678		411,678	
Total Title I Grants to Local Educational Agencies			<u>429,946</u>		<u>445,911</u>	
Special Education Grants to States	2007	84.027			27,954	
	2008		459,958		422,193	
Total Special Education Grants to States			<u>459,958</u>		<u>450,147</u>	
Safe and Drug-Free Schools and Communities State Grants	2007	84.186	853		973	
	2008		9,161		7,708	
Total Safe and Drug-Free Schools and Communities State Grants			<u>10,014</u>		<u>8,681</u>	
State Grants for Innovative Programs	2008	84.298	2,860		2,860	
Education Technology State Grants	2008	84.318	850		795	
Improving Teacher Quality State Grants	2008	84.367	121,215		112,014	
Total U.S. Department of Education			<u>1,024,843</u>		<u>1,020,408</u>	
Total Federal Financial Assistance			<u>\$1,496,459</u>	<u>\$60,261</u>	<u>\$1,492,024</u>	<u>\$60,261</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance is reported in the Schedule at the entitlement value of the commodities received and consumed.

NOTE D – MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kenton City School District, Hardin County, (the School District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 27, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Kenton City School District, Hardin County, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the fiscal year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the Kenton City School District, Hardin County, complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the fiscal year ended June 30, 2008. In a separate letter to the School District's management dated February 27, 2009, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

February 27, 2009

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010 Title 1 Grants to Local Education Agencies CFDA # 84.027 Special Education Grants to States
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	<p>34 CFR Title A, Part 80.22(a) and OMB Circular A-87 Attachment B, Selected Items of Cost, Section 8 - Compensation for Personnel Services, Part d Fringe Benefits, paragraph (5) – fringe benefits were not allocated to the Title 1 Grants to Local Educational Agencies in proportion to the wages paid which resulted in questioned costs in the amount of \$18,205.54.</p>	No	Reported in a separate letter to management of the District.
2007-002	<p>34 CFR Subpart C, Section 80.23 (a) - The School District recorded a payment of \$2,131.96 to the 2007 Title I grant which was not incurred during the grant funding period</p>	Yes	



Mary Taylor, CPA
Auditor of State

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
MARCH 31, 2009**