



**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose-financial statements of the Kenton City School District, Hardin County, (the District), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose-financial statements referred to above present fairly, in all material respects, the financial position of the Kenton City School District, Hardin County, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

JIM PETRO
Auditor of State

January 14, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,099,407	\$219,832	\$79	\$9,033
Receivables:				
Property Taxes	3,889,980	0	0	0
Income Taxes	482,532	0	0	0
Accounts	4,426	1,532	0	0
Intergovernmental	20,076	0	0	0
Accrued Interest	5,315	28	0	0
Loans	9,273	0	0	0
Prepaid Items	20,867	7,829	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	181,188	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Governmental Resources	0	0	0	0
Total Assets and Other Debits	<u>\$7,713,064</u>	<u>\$229,221</u>	<u>\$79</u>	<u>\$9,033</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	\$51,336	\$22,273	\$0	\$0
Accrued Wages and Benefits Payable	949,895	80,637	0	0
Compensated Absences Payable	28,302	0	0	0
Intergovernmental Payable	220,980	6,033	0	0
Due to Students	0	0	0	0
Deferred Revenue	3,730,395	0	0	0
Energy Conservation Notes Payable	0	0	0	0
Total Liabilities	<u>4,980,908</u>	<u>108,943</u>	<u>0</u>	<u>0</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Property Taxes	159,585	0	0	0
Reserved for Loans	9,273	0	0	0
Reserved for Budget Stabilization	157,876	0	0	0
Reserved for Bus Purchase	23,312	0	0	0
Reserved for Encumbrances	151,412	32,122	0	5,640
Designated for Running Track	30,000	0	0	0
Unreserved, Undesignated	2,200,698	88,156	79	3,393
Total Fund Equity and Other Credits	<u>2,732,156</u>	<u>120,278</u>	<u>79</u>	<u>9,033</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$7,713,064</u>	<u>\$229,221</u>	<u>\$79</u>	<u>\$9,033</u>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$57,588	\$14,141	\$0	\$0	\$3,400,080
0	0	0	0	3,889,980
0	0	0	0	482,532
84	0	0	0	6,042
37,561	0	0	0	57,637
0	0	0	0	5,343
0	0	0	0	9,273
113	0	0	0	28,809
14,020	0	0	0	14,020
2,679	0	0	0	2,679
0	0	0	0	181,188
58,112	0	9,376,466	0	9,434,578
0	0	0	79	79
0	0	0	1,168,259	1,168,259
<u>\$170,157</u>	<u>\$14,141</u>	<u>\$9,376,466</u>	<u>\$1,168,338</u>	<u>\$18,680,499</u>
\$3,036	\$0	\$0	\$0	\$76,645
31,618	0	0	0	1,062,150
16,135	0	0	779,380	823,817
40,575	0	0	73,958	341,546
0	10,665	0	0	10,665
9,863	0	0	0	3,740,258
0	0	0	315,000	315,000
<u>101,227</u>	<u>10,665</u>	<u>0</u>	<u>1,168,338</u>	<u>6,370,081</u>
0	0	9,376,466	0	9,376,466
68,930	0	0	0	68,930
0	0	0	0	159,585
0	0	0	0	9,273
0	0	0	0	157,876
0	0	0	0	23,312
0	0	0	0	189,174
0	0	0	0	30,000
0	3,476	0	0	2,295,802
<u>68,930</u>	<u>3,476</u>	<u>9,376,466</u>	<u>0</u>	<u>12,310,418</u>
<u>\$170,157</u>	<u>\$14,141</u>	<u>\$9,376,466</u>	<u>\$1,168,338</u>	<u>\$18,680,499</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Revenues:						
Property Taxes	\$4,029,451	\$0	\$0	\$0	\$0	\$4,029,451
Income Taxes	1,575,200	0	0	0	0	1,575,200
Intergovernmental	6,449,405	606,159	0	61,129	0	7,116,693
Interest	177,038	156	0	0	0	177,194
Tuition and Fees	105,870	1,080	0	0	0	106,950
Extracurricular Activities	69	169,680	0	0	0	169,749
Gifts and Donations	0	5,399	0	0	2,300	7,699
Miscellaneous	38,417	8,639	0	0	0	47,056
Total Revenues	<u>12,375,450</u>	<u>791,113</u>	<u>0</u>	<u>61,129</u>	<u>2,300</u>	<u>13,229,992</u>
Expenditures:						
Current:						
Instruction:						
Regular	5,593,349	87,756	0	282	0	5,681,387
Special	1,084,788	448,699	0	0	0	1,533,487
Vocational	387,599	0	0	0	0	387,599
Support Services:						
Pupils	355,776	30,920	0	1,200	0	387,896
Instructional Staff	212,617	122,664	0	0	0	335,281
Board of Education	22,710	0	0	0	0	22,710
Administration	1,046,745	0	0	0	0	1,046,745
Fiscal	362,860	0	0	0	0	362,860
Operation and Maintenance of Plant	1,293,211	0	0	2,447	0	1,295,658
Pupil Transportation	498,017	0	0	0	0	498,017
Central	4,063	0	0	0	0	4,063
Non-Instructional Services	0	0	0	0	581	581
Extracurricular Activities	0	164,022	0	0	0	164,022
Capital Outlay	0	0	0	462,514	0	462,514
Debt Service:						
Principal Retirement	0	0	70,000	0	0	70,000
Interest and Fiscal Charges	0	0	16,975	0	0	16,975
Total Expenditures	<u>10,861,735</u>	<u>854,061</u>	<u>86,975</u>	<u>466,443</u>	<u>581</u>	<u>12,269,795</u>
Excess of Revenues Over (Under) Expenditures	<u>1,513,715</u>	<u>(62,948)</u>	<u>(86,975)</u>	<u>(405,314)</u>	<u>1,719</u>	<u>960,197</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	40,424	0	0	0	0	40,424
Operating Transfers In	0	5,478	86,975	2,423	0	94,876
Operating Transfers Out	(92,453)	0	0	(2,423)	0	(94,876)
Total Other Financing Sources (Uses)	<u>(52,029)</u>	<u>5,478</u>	<u>86,975</u>	<u>0</u>	<u>0</u>	<u>40,424</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,461,686	(57,470)	0	(405,314)	1,719	1,000,621
Fund Balances at Beginning of Year	<u>1,270,470</u>	<u>177,748</u>	<u>79</u>	<u>414,347</u>	<u>1,757</u>	<u>1,864,401</u>
Fund Balances at End of Year	<u><u>\$2,732,156</u></u>	<u><u>\$120,278</u></u>	<u><u>\$79</u></u>	<u><u>\$9,033</u></u>	<u><u>\$3,476</u></u>	<u><u>\$2,865,022</u></u>

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$3,920,894	\$3,891,546	(\$29,348)	\$0	\$0	\$0
Income Taxes	1,581,890	1,581,891	1	0	0	0
Intergovernmental	6,580,241	6,446,556	(133,685)	807,862	606,159	(201,703)
Interest	170,000	175,984	5,984	171	185	14
Tuition and Fees	67,302	104,836	37,534	2,722	1,017	(1,705)
Extracurricular Activities	0	0	0	169,742	175,888	6,146
Gifts and Donations	0	0	0	6,991	5,399	(1,592)
Miscellaneous	18,050	19,505	1,455	8,612	8,233	(379)
Total Revenues	<u>12,338,377</u>	<u>12,220,318</u>	<u>(118,059)</u>	<u>996,100</u>	<u>796,881</u>	<u>(199,219)</u>
Expenditures:						
Current:						
Instruction:						
Regular	5,844,160	5,583,333	260,827	121,516	82,787	38,729
Special	1,168,085	1,087,802	80,283	673,528	459,288	214,240
Vocational	395,066	389,275	5,791	0	0	0
Support Services:						
Pupils	403,291	371,107	32,184	34,823	31,305	3,518
Instructional Staff	216,893	215,583	1,310	138,373	117,951	20,422
Board of Education	25,550	22,733	2,817	0	0	0
Administration	1,098,574	1,053,869	44,705	1,831	0	1,831
Fiscal	405,252	362,717	42,535	0	0	0
Business	89,454	0	89,454	0	0	0
Operation and Maintenance of Plant	1,613,652	1,383,196	230,456	0	0	0
Pupil Transportation	711,093	498,547	212,546	0	0	0
Central	7,500	4,063	3,437	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	198,791	202,962	(4,171)
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>11,978,570</u>	<u>10,972,225</u>	<u>1,006,345</u>	<u>1,168,862</u>	<u>894,293</u>	<u>274,569</u>
Excess of Revenues Over (Under) Expenditures	<u>359,807</u>	<u>1,248,093</u>	<u>888,286</u>	<u>(172,762)</u>	<u>(97,412)</u>	<u>75,350</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	40,000	40,424	424	0	0	0
Refund of Prior Year Expenditures	7,500	12,880	5,380	0	0	0
Other Financing Sources	200	120	(80)	0	0	0
Advances In	25,000	0	(25,000)	0	0	0
Advances Out	(19,521)	0	19,521	0	0	0
Operating Transfers In	0	0	0	5,478	5,478	0
Operating Transfers Out	(92,454)	(92,453)	1	0	0	0
Total Other Financing Sources (Uses)	<u>(39,275)</u>	<u>(39,029)</u>	<u>246</u>	<u>5,478</u>	<u>5,478</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>320,532</u>	<u>1,209,064</u>	<u>888,532</u>	<u>(167,284)</u>	<u>(91,934)</u>	<u>75,350</u>
Fund Balances at Beginning of Year	1,674,829	1,674,829	0	250,864	250,864	0
Prior Year Encumbrances Appropriated	189,728	189,728	0	9,999	9,999	0
Fund Balances at End of Year	<u>\$2,185,089</u>	<u>\$3,073,621</u>	<u>\$888,532</u>	<u>\$93,579</u>	<u>\$168,929</u>	<u>\$75,350</u>

The notes to the financial statements are an integral part of this statement.

(continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999
(continued)**

	Debt Service Fund			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Income Taxes	0	0	0	0	0	0
Intergovernmental	0	0	0	61,129	61,129	0
Interest	0	0	0	0	0	0
Tuition and Fees	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	0	0	0	61,129	61,129	0
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	224,617	224,565	52
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	4,540	1,200	3,340
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	0	0	0
Fiscal	0	0	0	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	382,418	382,418	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Debt Service:						
Principal Retirement	70,000	70,000	0	0	0	0
Interest and Fiscal Charges	16,975	16,975	0	0	0	0
Total Expenditures	86,975	86,975	0	611,575	608,183	3,392
Excess of Revenues Over (Under) Expenditures	(86,975)	(86,975)	0	(550,446)	(547,054)	3,392
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Other Financing Sources	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Operating Transfers In	86,975	86,975	0	2,423	2,423	0
Operating Transfers Out	0	0	0	(2,423)	(2,423)	0
Total Other Financing Sources (Uses)	86,975	86,975	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(550,446)	(547,054)	3,392
Fund Balances at Beginning of Year	79	79	0	405,880	405,880	0
Prior Year Encumbrances Appropriated	0	0	0	144,567	144,567	0
Fund Balances at End of Year	\$79	\$79	\$0	\$1	\$3,393	\$3,392

The notes to the financial statements are an integral part of this statement.

Expendable Trust Fund			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$3,920,894	\$3,891,546	(\$29,348)
0	0	0	1,581,890	1,581,891	1
0	0	0	7,449,232	7,113,844	(335,388)
0	0	0	170,171	176,169	5,998
0	0	0	70,024	105,853	35,829
0	0	0	169,742	175,888	6,146
2,300	2,300	0	9,291	7,699	(1,592)
0	0	0	26,662	27,738	1,076
<u>2,300</u>	<u>2,300</u>	<u>0</u>	<u>13,397,906</u>	<u>13,080,628</u>	<u>(317,278)</u>
0	0	0	6,190,293	5,890,685	299,608
0	0	0	1,841,613	1,547,090	294,523
0	0	0	395,066	389,275	5,791
0	0	0	442,654	403,612	39,042
0	0	0	355,266	333,534	21,732
0	0	0	25,550	22,733	2,817
0	0	0	1,100,405	1,053,869	46,536
0	0	0	405,252	362,717	42,535
0	0	0	89,454	0	(89,454)
0	0	0	1,996,070	1,765,614	230,456
0	0	0	711,093	498,547	212,546
0	0	0	7,500	4,063	3,437
2,586	581	2,005	2,586	581	2,005
0	0	0	198,791	202,962	(4,171)
0	0	0	70,000	70,000	0
0	0	0	16,975	16,975	0
<u>2,586</u>	<u>581</u>	<u>2,005</u>	<u>13,848,568</u>	<u>12,562,257</u>	<u>1,107,403</u>
<u>(286)</u>	<u>1,719</u>	<u>2,005</u>	<u>(450,662)</u>	<u>518,371</u>	<u>969,033</u>
0	0	0	40,000	40,424	424
0	0	0	7,500	12,880	5,380
0	0	0	200	120	(80)
0	0	0	25,000	0	(25,000)
0	0	0	(19,521)	0	19,521
0	0	0	94,876	94,876	0
0	0	0	(94,877)	(94,876)	1
<u>0</u>	<u>0</u>	<u>0</u>	<u>53,178</u>	<u>53,424</u>	<u>246</u>
(286)	1,719	2,005	(397,484)	571,795	969,279
1,757	1,757	0	2,333,409	2,333,409	0
0	0	0	344,294	344,294	0
<u>\$1,471</u>	<u>\$3,476</u>	<u>\$2,005</u>	<u>\$2,280,219</u>	<u>\$3,249,498</u>	<u>\$969,279</u>

**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
Enterprise Funds
For the Year Ended June 30, 1999**

Operating Revenues:	
Sales	\$384,613
Other Operating Revenues	<u>84</u>
Total Operating Revenues	<u>384,697</u>
 Operating Expenses:	
Salaries	202,427
Fringe Benefits	85,496
Purchased Services	6,698
Materials and Supplies	19,602
Cost of Sales	337,462
Depreciation	<u>8,178</u>
Total Operating Expenses	<u>659,863</u>
Operating Loss	<u>(275,166)</u>
 Non-Operating Revenues:	
Federal Donated Commodities	35,103
Operating Grants	<u>231,700</u>
Total Non-Operating Revenues	<u>266,803</u>
Net Income	(8,363)
Retained Earnings at Beginning of Year	<u>77,293</u>
Retained Earnings at End of Year	<u><u>\$68,930</u></u>

The notes to the financial statements are integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$370,745	\$385,101	\$14,356
Other Revenues	4,000	0	(4,000)
Operating Grants	230,700	194,177	(36,523)
Interest	750	0	(750)
Total Revenues	<u>606,195</u>	<u>579,278</u>	<u>(26,917)</u>
Expenses:			
Salaries	205,521	201,922	3,599
Fringe Benefits	102,089	82,617	19,472
Purchased Services	13,958	10,657	3,301
Materials and Supplies	350,428	319,558	30,870
Capital Outlay	5,000	901	4,099
Total Expenses	<u>676,996</u>	<u>615,655</u>	<u>61,341</u>
Excess of Revenues Under Expenses	(70,801)	(36,377)	34,424
Fund Balances at Beginning of Year	85,471	85,471	0
Prior Year Encumbrances Appropriated	8,002	8,002	0
Fund Balances at End of Year	<u><u>\$22,672</u></u>	<u><u>\$57,096</u></u>	<u><u>\$34,424</u></u>

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Customers	\$385,101
Cash Payments for Salaries	(201,922)
Cash Payments for Fringe Benefits	(82,617)
Cash Payments to Suppliers for Goods and Services	(327,140)
Net Cash Used for Operating Activities	<u>(226,578)</u>

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	<u>194,177</u>
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Cash Flows from Capital and Related Financing Activities:

Cash Payments for Fixed Assets	<u>(3,484)</u>
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Net Decrease in Cash and Cash Equivalents (35,885)

Cash and Cash Equivalents at Beginning of Year 93,473

Cash and Cash Equivalents at End of Year \$57,588

Reconciliation of Operating Loss

to Net Cash Used for Operating Activities:

Operating Loss	(\$275,166)
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Adjustments to Reconcile Operating Loss

to Net Cash Used for Operating Activities:

Depreciation	8,178
Donated Commodities Used During Year	35,103

Changes in Assets and Liabilities:

Decrease in Accounts Receivable	404
Increase in Prepaid Items	(34)
Decrease in Inventory Held for Resale	866
Increase in Materials and Supplies Inventory	4,085
Decrease in Accounts Payable	(3,432)
Increase in Accrued Wages and Benefits Payable	968
Decrease in Compensated Absences Payable	(606)
Increase in Intergovernmental Payable	3,056

Net Cash Used for Operating Activities (\$226,578)

The notes to the financial statements are an integral part of this statement.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION

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

The District was established in 1888. The District serves an area of approximately one hundred twelve square miles. It is located in Hardin and Wyandot Counties and includes all of Pleasant Township, portions of Cessna, Lynn, McDonald, Taylor Creek, Dudley, and Goshen Townships, and the City of Kenton. The School District is the 253rd largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by ninety-four classified employees, one hundred fifty-three certified teaching personnel, and eleven administrative employees who provide services to 2,252 students and other community members. The District currently operates eleven instructional/support buildings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

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

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

The District is associated with a jointly governed organization and two insurance pools. These organizations are the Ohio Hi-Point Joint Vocational School, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

B. Basis Of Presentation - Fund Accounting

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

B. Basis Of Presentation - Fund Accounting (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

2. Proprietary Fund Type

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund type:

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

B. Basis Of Presentation - Fund Accounting (Continued)

2. Proprietary Fund Type: (Continued)

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District did not have any nonexpendable trust funds in fiscal year 1999. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in proprietary funds or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District, except those accounted for in proprietary funds or trust funds.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, investment earnings, tuition, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

D. Budgetary Process

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

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

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

D. Budgetary Process (Continued)

Tax Budget

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

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 1999.

Appropriations

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

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The District had two supplemental appropriation resolutions during fiscal year 1999.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

D. Budgetary Process (Continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and the expendable trust fund and reported in the notes to the financial statements for the enterprise funds.

Lapsing of Appropriations

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

E. Cash and Investments

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

During fiscal year 1999, investments were limited to repurchase agreements and nonnegotiable certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 1999 amounted to \$177,038, which includes \$14,244 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Inventory

Inventory in the enterprise funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

H. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside to create a reserve for budget stabilization as well as unexpended revenues restricted for the purchase of school buses.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The District maintains a capitalization threshold of twenty-five dollars. The District does not have any infrastructure.

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. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of three to twenty years. Depreciation of vehicles in the enterprise funds is computed using the straight-line method over an estimated useful life of ten years.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The 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 District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments for these liabilities made more than sixty days after fiscal year end are considered not to have required the use of current available financial resources. Long-term notes are reported as a liability in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

L. Fund Balance Reserves and Designations

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

The District has designated certain resources for replacement of the running track.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

N. 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.

O. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

O. Intergovernmental Revenues (Continued)

Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development
- Education Management Information System
- Disadvantaged Pupil Impact Aid
- Textbook/Instructional Materials
- Eisenhower
- Title VI-B
- Title I
- Goals 2000
- Innovative Education
- JROTC
- Special Education Grants to States
- Drug Free
- Continuous Improvement

Capital Projects Funds

- School Net Plus
- Tech Equity
- Emergency Building Repair

Reimbursable Grants

General Fund

- Driver Education

Enterprise Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 54 percent of the revenues of the District's governmental fund types during the 1999 fiscal year.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. Accountability and Compliance

A. Accountability

At June 30, 1999, the Eisenhower, Disadvantaged Pupil Impact Aid, and Title I special revenue funds had deficit fund balances of \$2,918, \$9,576, and \$17,711, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following account had expenditures in excess of appropriations for the fiscal year ended June 30, 1999.

Fund Type/Fund/ Function	Appropriations	Expenditures	Excess
Special Revenue Fund:			
Athletic and Music:			
Extracurricular Activities/Materials and Supplies	\$174,892	\$183,072	\$8,180

4. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- C. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and the expendable trust fund and as note disclosure in the enterprise funds (GAAP basis).
- D. For enterprise funds, the acquisition and construction of fixed assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. Budgetary Basis of Accounting

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	\$1,461,686	(\$57,470)	(\$405,314)
<u>Increase (Decrease) Due To:</u>			
Revenue Accruals:			
Accrued FY 1998, Received In Cash FY 1999	523,075	7,328	0
Accrued FY 1999, Not Yet Received in Cash	(657,488)	(1,560)	0
Expenditure Accruals:			
Accrued FY 1998, Paid in Cash FY 1999	(1,153,526)	(98,431)	(136,100)
Accrued FY 1999, Not Yet Paid in Cash	1,236,067	108,943	0
Prepaid Items	\$224	\$159	\$0
Notes Receivable - Repayments	6,000	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(206,974)	(50,903)	(5,640)
Budget Basis	\$1,209,064	(\$91,934)	(\$547,054)

Net Loss/Excess of Revenues Under Expenses
Enterprise Funds

GAAP Basis	(\$8,363)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1999, Not Yet Received in Cash	526
Accrued FY 1998, Received in Cash FY 1999	(37,645)
Expense Accruals:	
Accrued FY 1998, Paid in Cash FY 1999	(91,378)
Accrued FY 1999, Not Yet Paid in Cash	91,364
Prepaid Items	(34)
Inventory Held for Resale	866
Materials and Supplies Inventory	4,085
Acquisition of Fixed Assets	(3,484)
Depreciation Expense	8,178
Encumbrances Outstanding at Year End (Budget Basis)	(492)
Budget Basis	(\$36,377)

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. Deposits and Investments

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

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

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

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

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

Interim monies may be invested in the following securities:

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

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

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. Deposits and Investments (Continued)

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

At fiscal year end, the District had \$2,103 in undeposited cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

At fiscal year end, the carrying amount of the District's deposits was (\$351,835) and the bank balance was \$5,317. The entire bank balance was covered by federal depository insurance.

The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in repurchase agreements, which are Category 3 investments, had a carrying amount of \$3,931,000 and a fair value of \$3,931,461 at June 30, 1999.

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,581,268	\$0
Cash on Hand	(2,103)	0
Repurchase Agreements	(3,931,000)	3,931,000
GASB Statement No. 3	(\$351,835)	\$3,931,000

6. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. All property is required to be revalued every six years. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Public utility property taxes, attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. Property Taxes (Continued)

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current fiscal year. Tangible personal property assessments are 25 percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Hardin and Wyandot Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$159,585 in the General Fund. The amount available as an advance at June 30, 1998, was \$21,680 in the General Fund.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$75,501,530	48.32%	\$78,222,580	49.32%
Industrial/Commercial	28,806,150	18.43	29,728,460	18.75
Public Utility	11,206,190	7.17	11,120,790	7.01
Tangible Personal	40,756,646	26.08	39,511,988	24.92
Total Assessed Value	<u>\$156,270,516</u>	<u>100.00%</u>	<u>\$158,583,818</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.20		\$34.20	

7. Income Taxes

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

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. Receivables

Receivables at June 30, 1999, consisted of both property and income taxes, accounts (rent and student fees), intergovernmental, accrued interest, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Accounts receivable at June 30 were \$6,042.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	\$20,076
Enterprise Fund	
Food Service	37,561
Total Intergovernmental Receivables	\$57,637

9. Loans Receivable

On January 16, 1996, the Board of Education made a loan to the Band Boosters, in the amount of \$24,273. The interest free loan was for a five year period. At June 30, 1999, the outstanding balance on the loan was \$9,273.

10. Fixed Assets

A summary of the Enterprise Funds' fixed assets at June 30, 1999, follows:

Furniture, Fixtures, and Equipment	\$220,073
Vehicles	21,600
	241,673
Less: Accumulated Depreciation	(183,561)
Net Fixed Assets	\$58,112

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Buildings	\$3,626,567	\$0	\$0	\$3,626,567
Land and Improvements	832,736	4,956	0	837,692
Furniture and Fixtures	3,300,842	747,786	35,800	4,012,828
Vehicles	656,650	155,337	63,896	748,091
Equipment	148,372	3,186	270	151,288
Total	\$8,565,167	\$911,265	\$99,966	\$9,376,466

11. Risk Management

The 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 1999, the District contracted for the following insurance coverages:

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. Risk Management (Continued)

Coverages provided by Nationwide/Wausau Insurance are as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$34,720,100
Boiler and Machinery (\$1,000 deductible)	17,370,400
Employee Dishonesty - per loss	2,000
Commercial Crime	2,000
Hardware and Software (\$100 deductible; \$1,000 breakdown)	500,000
Audio Visual Equipment (\$100 deductible)	787,832
Music Instruments and Band Uniforms (\$100 deductible)	486,491
Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
Medical Payments - per person	3,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	5,000,000

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

The District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust), a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center, and the Ada Public Library. The 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 1999, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. Defined Benefit Pension Plans

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$368,660, \$650,884, and \$530,544, respectively; 83.18 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$61,999, is recorded as a liability within the respective funds.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 7.7 percent was the portion used to fund pension obligations for fiscal year 1999. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997, were \$110,012, \$99,482, and \$126,172, respectively; 44.46 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999, in the amount of \$61,106, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. Post employment Benefits

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 1999, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District, this amount equaled \$491,546 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998 (the latest information available). For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000, and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$120,025 for fiscal year 1999.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575, and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

14. Employee Benefits

A. Compensated Absences

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

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

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. Employee Benefits (Continued)

B. Health Care Benefits

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

15. Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 1999 were as follows:

	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Energy Conservation Notes FY 1994 4.85%	\$385,000	\$0	\$70,000	\$315,000
Compensated Absences Payable	789,933	0	10,553	779,380
Intergovernmental Payable	68,273	73,958	68,273	73,958
Total General Long-Term Obligations	\$1,243,206	\$73,958	\$148,826	\$1,168,338

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

Compensated absences and intergovernmental payables, representing the District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The District's overall debt margin was \$14,272,544 with an unvoted debt margin of \$158,584 at June 30, 1999.

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 1999, were as follows:

Fiscal Year Ending	Principal	Interest	Total
2000	73,000	13,507	86,507
2001	77,000	9,870	86,870
2002	81,000	6,038	87,038
2003	84,000	2,037	86,037
Totals	\$315,000	\$31,452	\$346,452

16. Reservations of Fund Balance

The 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.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. Reservations of Fund Balance (Continued)

Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the District is required to set aside money for budget stabilization.

The District also receives resources from the State of Ohio which are restricted by State law to the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 1999 as well as the balance of the bus purchase allocation.

	Textbooks	Capital Improvement s	Budget Stabilization	Total
Balance June 30, 1998	\$0	\$0	\$64,973	\$64,973
Current Year Set Aside Requirement	185,806	185,806	92,903	464,515
Qualifying Expenditures	(185,806)	(185,806)	0	(371,612)
Balance June 30, 1999	<u>\$0</u>	<u>\$0</u>	<u>\$157,876</u>	157,876
Amount Restricted for Bus Purchase				23,312
Total Restricted Assets				<u>\$181,188</u>

Amounts of offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. Although the District may have had additional offsets and qualifying expenditures during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.

17. Segment Information for Enterprise Funds

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$354,652	\$30,045	\$384,697
Depreciation Expense	8,178	0	8,178
Operating Loss	(272,669)	(2,497)	(275,166)
Federal Donated Commodities	35,103	0	35,103
Operating Grants	231,700	0	231,700

(continued)

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

17. Segment Information for Enterprise Funds (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Net Income (Loss)	(\$5,866)	(\$2,497)	(\$8,363)
Fixed Asset Additions	3,484	0	3,484
Fixed Asset Disposals	338	0	338
Net Working Capital	4,933	22,020	26,953
Total Assets	148,137	22,020	170,157
Total Equity	46,910	22,020	68,930
Encumbrances Outstanding at Year End (Budget Basis)	30	462	492

18. Jointly Governed Organization

Ohio Hi-Point Joint Vocational School

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

19. Insurance Pools

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

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

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

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

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

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

19. Insurance Pools (Continued)

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

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.

20. School Foundation Program

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program" which provides significant monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$6,180,446 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Court of Common Pleas declared unconstitutional.

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

21. Year 2000 Issue

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting operations and has identified such systems as being financial reporting, payroll, student management, and educational statistics reporting. In addition, several of the Districts' buildings have heating and cooling systems that are electronically controlled.

The software vendors for financial reporting, payroll, and student management have released statements dated January 3, 1997, and May 7, 1998, indicating that the software used by the District is Year 2000 compliant. In addition, the manufacturer of the District's main computer system has released bulletins indicating that the system is Year 2000 compliant.

The State processes a significant amount of financial and nonfinancial information about the District through the State's Education Management and Information System (EMIS). Further, the State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. The State is responsible for remediating these systems and is solely responsible for any costs associated with this project.

The heating and cooling systems of the District are electronically interfaced and could have Year 2000 compliance problems. However, all systems contain manual overrides, and as such, can be operated even if Year 2000 compliance problems exist.

NOTES TO THE GENERAL- PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

21. Year 2000 Issue (Continued)

Hardin and Wyandot Counties collect property taxes for distribution to the District. The Counties are responsible for remediating these systems and for any costs associated with this project.

To the best of management's knowledge and belief, as of January 14, 2000, the District experienced no significant interruption of mission-critical operations or services related to the year 2000 issue. However, because of the unprecedented nature of the year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

22. Contingencies

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

There is currently a matter pending before the United States Department of Education, Office for Civil Rights regarding discrimination against the Kenton High School female athletes. The outcome of this suit is not known at this time.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$30,621	\$0	\$35,103
School Breakfast Program	05-PU 98/99	10.553	30,611	0	30,611	0
National School Lunch Program	04-PU 98/99	10.555	152,126	0	152,126	0
Total U.S. Department of Agriculture - Nutrition Cluster			182,737	30,621	182,737	35,103
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States	6B-SF 98 P	84.027	106,656	0	100,529	0
Eisenhower Mathematics and Science	MS-S1 97	84.281	0	0	6,748	0
	MS-S1 98	84.281	0	0	3,652	0
Total Eisenhower Mathematics and Science			0	0	10,400	0
Grants to Local Educational Agencies (ESEA Title I)	CI-SI 98	84.010	32,824	0	163,678	0
Total Title 1	CI-SI 99	84.010	333,978	0	293,059	0
			366,802	0	456,737	0
(Passed Through Hi-Point Joint Vocational School) Vocational Education - Basic Grant		84.048	2,593		2,593	
Innovative Educational Program Strategies	C2-SI 98	84.298	0	0	1,237	0
	C2-SI 99	84.298	8,341	0	8,341	0
Total Innovative Educational			8,341	0	9,578	0
Goals 2000	G2-A2 99	84.276	15,735	0	767	0
Drug-Free Schools Grant	DR-S1 99	84.186	11,471	0	19,524	0
<i>Direct Program</i> Federal Excise - E Rate		84.XXX	5,930		5,930	0
Total Department of Education			517,528	0	606,058	0
<i>Direct Program</i> UNITED STATES DEPARTMENT OF THE ARMY Junior Reserve Officers' Training Corps Unit BAS			36,275	0	36,275	0
Totals			\$736,540	\$30,621	\$825,070	\$35,103

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

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - BASIS OF ACCOUNTING

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

NOTE C - REIMBURSEMENT GRANTS

The District received reimbursement type grants for which expenditures are realized when revenue is received. These grants include: School Breakfast Program, National School Lunch Program, and Junior reserve Officer's Training Corps.

NOTE D - FOOD DISTRIBUTION PROGRAM

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Federal Awards Expenditures at the fair market value of the commodities received and consumed. At June 30, 1999, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of the Kenton City School District (the District), Hardin County, Ohio, as of and for the year ended June 30, 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated January 14, 2000.

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

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

JIM PETRO
Auditor of State

January 14, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Kenton City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

JIM PETRO
Auditor of State

January 14, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

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

**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

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KENTON CITY SCHOOL DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2000**