

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016*

**TRACY HILLER, TREASURER**



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### Accountant's Compilation Report

To the Kenton City School District Board of Education  
Kenton, Ohio

We have compiled the basic financial statements, as listed in the table of contents, for the Kenton City School District (the "District"), as of and for the fiscal year ended June 30, 2016. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The management's discussion and analysis, on pages 3 through 12 is presented for purposes of additional analysis. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

*Julian & Grube, Inc.*

August 17, 2016



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The management's discussion and analysis of the Kenton City School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2016, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- The total net cash position of the District increased \$769,384 or 7.37% from fiscal year 2015.
- General cash receipts accounted for \$20,403,012 or 83.44% of total governmental activities cash receipts. Program specific cash receipts accounted for \$4,049,357 or 16.56% of total governmental activities cash receipts.
- The District had \$23,682,985 in cash disbursements related to governmental activities; \$4,049,357 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$20,403,012 were adequate to provide for these programs.
- The District's major funds are the general fund, permanent improvement fund and classroom facilities fund. The general fund had cash receipts and other financing sources of \$21,177,341 in 2016. The cash disbursements of the general fund totaled \$19,686,222 in 2016. The general fund's fund cash balance increased \$1,491,119 from a balance of \$4,811,603 to \$6,302,722.
- The permanent improvement fund had other financing sources of \$52,500 in 2016. The permanent improvement fund cash balance increased \$52,500 from a balance of \$2,356,821 to \$2,409,321.
- The classroom facilities fund had receipts of \$27,491 and disbursements of \$536,012 in 2016. The classroom facilities fund cash balance decreased \$508,521 from a balance of \$1,747,941 to \$1,239,420.

**Using this Cash Basis Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there are three major governmental funds.

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2016?" These statements include *only net cash assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

These two statements report the District's net position and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the cash basis financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and the statement of activities - cash basis, the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and the statement of activities - cash basis can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, permanent improvement fund and classroom facilities fund. The analysis of the District's major governmental funds begins on page 9.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than GAAP. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-16 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 17 of this report.



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The School District's only fiduciary funds are a private-purpose trust fund and an agency fund. Only the cash held at year end for these funds is reported on page 18-19.

***Notes to the Financial Statements***

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

**Government-Wide Financial Analysis**

Recall that the statement of net position - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2016 and 2015.

	<b>Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 11,182,707	\$ 10,013,055
Cash and cash equivalents with escrow agents	<u>32,211</u>	<u>432,479</u>
Total assets	<u>11,214,918</u>	<u>10,445,534</u>
<u>Net Position</u>		
Restricted	2,769,120	3,395,560
Unrestricted	<u>8,445,798</u>	<u>7,049,974</u>
Total net position	<u>\$ 11,214,918</u>	<u>\$ 10,445,534</u>

The total net position of the District increased \$769,384, which represents a 7.37% decrease over fiscal year 2015.

The balance of government-wide unrestricted net position of \$8,445,798 may be used to meet the government's ongoing obligations to citizens and creditors.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table below shows the changes in net cash position for fiscal year 2016 and 2015.

	<b>Change in Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2016</u>	<u>2015</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services	\$ 1,757,109	\$ 1,685,970
Operating grants, contributions and interest	2,267,770	2,990,499
Capital grants and contributions	<u>24,478</u>	<u>-</u>
Total program cash receipts	<u>4,049,357</u>	<u>4,676,469</u>
General cash receipts:		
Property taxes	5,392,441	4,942,487
Income taxes	2,815,161	2,975,941
Unrestricted grants	11,963,076	10,389,002
Restricted grants	-	483,892
Investment earnings	41,388	28,309
Sale of capital assets	52,550	77,170
Miscellaneous	<u>138,396</u>	<u>155,724</u>
Total general cash receipts	<u>20,403,012</u>	<u>19,052,525</u>
Total cash receipts	<u>\$ 24,452,369</u>	<u>\$ 23,728,994</u>

- Continued

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Change in Net Position (Continued)**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 10,418,944	\$ 9,398,618
Special	3,598,170	3,417,363
Vocational	227,488	207,715
Support services:		
Pupil	624,758	569,637
Instructional staff	503,873	478,783
Board of education	51,867	82,847
Administration	1,797,158	1,755,529
Fiscal	441,785	439,790
Operations and maintenance	1,981,007	1,915,996
Pupil transportation	865,592	1,185,617
Central	5,225	5,225
Operation of non instructional services:		
Other non instructional services	98,543	44,698
Food service operations	1,043,428	921,281
Extracurricular activities	634,586	654,041
Facilities acquisition and construction	612,280	6,057,846
Debt service:		
Principal retirement	355,000	340,000
Interest and fiscal charges	<u>423,281</u>	<u>430,231</u>
Total cash disbursements	<u>\$ 23,682,985</u>	<u>\$ 27,905,217</u>

**Governmental Activities**

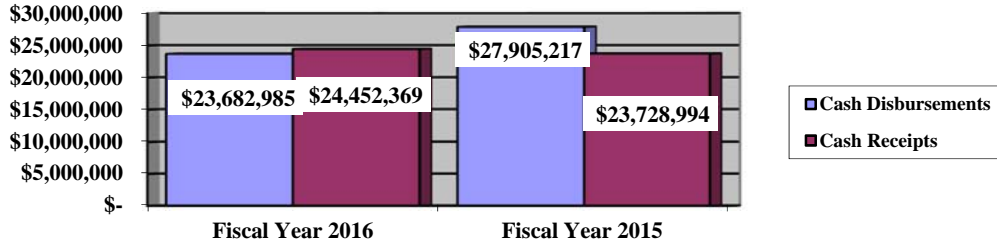
Governmental assets increased by \$769,384 in 2016 from 2015. Total governmental disbursements of \$23,682,985 were offset by program receipts of \$4,049,357 and general receipts of \$20,403,012. Program receipts supported \_\_\_% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These receipt sources represent 82.49% of total governmental receipts. Real estate property is reappraised every six years.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



**Governmental Activities**

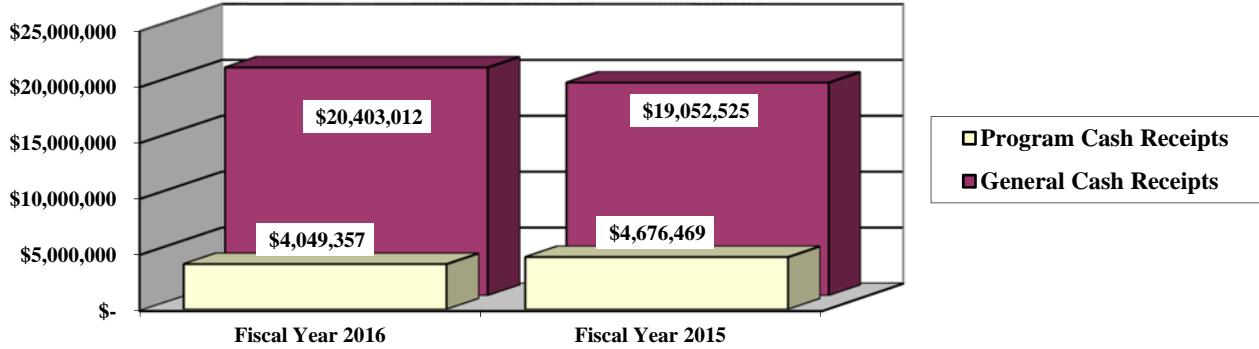
	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Cash disbursements:				
Instruction:				
Regular	\$ 10,418,944	\$ 8,759,794	\$ 9,398,618	\$ 8,286,503
Special	3,598,170	2,482,855	3,417,363	1,279,359
Vocational	227,488	210,271	207,715	182,051
Support services:				
Pupil	624,758	583,435	569,637	568,556
Instructional staff	503,873	453,146	478,783	391,351
Board of education	51,867	51,867	82,847	82,847
Administration	1,797,158	1,775,894	1,755,529	1,755,529
Fiscal	441,785	440,056	439,790	439,212
Operations and maintenance	1,981,007	1,925,090	1,915,996	1,859,083
Pupil transportation	865,592	863,133	1,185,617	1,148,535
Central	5,225	5,225	5,225	5,225
Operation of non instructional services:				
Other non instructional services	98,543	95,609	44,698	42,181
Food service operations	1,043,428	195,740	921,281	6,283
Extracurricular activities	634,586	400,952	654,041	353,956
Facilities acquisition and construction	612,280	612,280	6,057,846	6,057,846
Debt service:				
Principal retirement	355,000	355,000	340,000	340,000
Interest and fiscal charges	423,281	423,281	430,231	430,231
<b>Total</b>	<b>\$ 23,682,985</b>	<b>\$ 19,633,628</b>	<b>\$ 27,905,217</b>	<b>\$ 23,228,748</b>

The dependence upon general cash receipts for governmental activities is apparent; with 82.90% of cash disbursements supported through taxes and other general cash receipts during 2016.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Governmental Activities - General and Program Cash Receipts**



**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund cash balance of \$11,214,918, which is \$769,384 higher than last year's total balance of \$10,445,534. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and June 30, 2015, for all major and nonmajor governmental funds.

	<u>Fund Balance June 30, 2016</u>	<u>Fund Balance June 30, 2015</u>	<u>Change</u>
Major funds:			
General	\$ 6,302,722	\$ 4,811,603	\$ 1,491,119
Permanent improvement	2,409,321	2,356,821	52,500
Classroom facilities	1,239,420	1,747,941	(508,521)
Other nonmajor governmental funds	<u>1,263,455</u>	<u>1,529,169</u>	<u>(265,714)</u>
Total	<u>\$ 11,214,918</u>	<u>\$ 10,445,534</u>	<u>\$ 769,384</u>

**General Fund**

The general fund had cash receipts and other financing sources of \$21,177,341 in 2016. The cash disbursements of the general fund, totaled \$6,302,722 in 2016. The general fund's cash balance increased \$1,491,119 from a balance of \$4,811,603 to \$6,302,722 primarily due to larger property tax collections and an increase State foundation money that outpaced increases in disbursements.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes	\$ 7,393,249	\$ 7,126,556	3.74 %
Tuition	1,081,025	1,041,505	3.79 %
Earnings on investments	37,827	24,852	52.21 %
Other revenues	401,605	330,940	21.35 %
Intergovernmental	<u>12,263,585</u>	<u>11,361,887</u>	7.94 %
Total	<u>\$ 21,177,291</u>	<u>\$ 19,885,740</u>	6.49 %

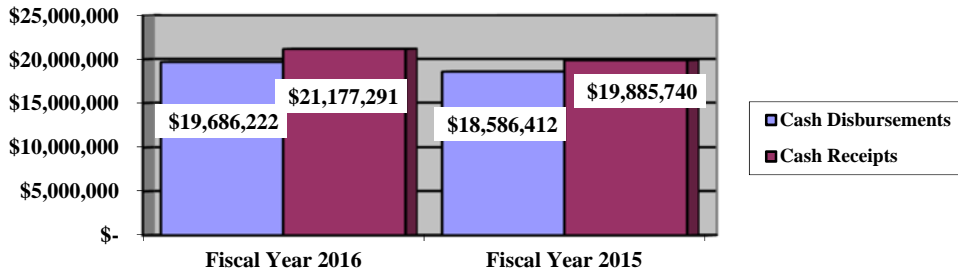
The District's general fund cash receipts increased \$1,291,551 or 6.49%. Taxes increased \$266,693 or 3.74% due to strong property tax collections related to increased valuations within the District. Intergovernmental receipts increased \$901,698 or 7.94% due to increases in State foundation funding and State reimbursements for homestead and rollback.

The table that follows assists in illustrating the disbursements of the general fund.

	<u>2016 Amount</u>	<u>2015 Amount</u>	<u>Percentage Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 13,060,550	\$ 11,872,256	10.01 %
Support services	6,121,836	6,231,650	(1.76) %
Operation of non instruction	95,453	41,495	130.03 %
Extracurricular	<u>408,383</u>	<u>441,011</u>	(7.40) %
Total	<u>\$ 19,686,222</u>	<u>\$ 18,586,412</u>	5.92 %

The District's general fund cash disbursements increased \$1,099,810 or 5.92%. The largest increase was in the area of instruction which increased \$1,188,294. This increase was primarily due in wage and benefit increases given to employees.

**General Fund - Total Cash Receipts vs. Total Cash Disbursements**



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

***Permanent Improvement Fund***

The permanent improvement fund had \$52,500 in other financing sources during 2016. The fund balance of the permanent improvement fund increased \$52,500 from \$2,356,821 to \$2,409,321. This increase was due to the sale of property held by the District.

***Classroom Facilities Fund***

The classroom facilities fund had \$27,491 in receipts and \$536,012 in disbursements during 2016. The fund balance of the classroom facilities fund decreased \$508,521 from \$1,747,941 to \$1,239,420. This decrease in fund balance was primarily due to costs associated with the District's building project with the Ohio Facilities Construction Commission.

***Budgeting Highlights - General Fund***

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

For the general fund, final budget basis receipts and other financing sources of \$20,650,614 were increased from the original budget estimates of \$20,267,110. Actual cash receipts of \$21,105,762 were more than final budget estimates by \$455,148. The final budget basis disbursements were \$20,925,127 were decreased \$513,568 from original budget basis disbursements of \$21,438,695 due to lower special instruction costs. The actual budgetary basis disbursements of \$20,249,393 were \$675,734 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

The District had the following long-term obligations outstanding at June 30, 2016 and 2015:

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
FY 2012 school facilities construction and improvement bonds		
Serial, term and capital appreciation bonds	\$ 12,110,519	\$ 12,446,385
Premiums	291,374	299,955
Discounts	<u>(129,318)</u>	<u>(133,126)</u>
Total long-term obligations	<u>\$ 12,272,575</u>	<u>\$ 12,613,214</u>

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Current Issues**

The District is successfully operating its new elementary school on land north of the current high school. The District is in the process of selling the final piece of land that resulted from the Ohio Facilities Construction Commission project.

The last remaining elementary building was renovated last summer and is currently being used in partnership with the Ohio Hi-Point Career Center. The District hosts four satellite career programs and a Vocational Agriculture program aligned to employment deficits in Hardin County. The District offers two technology pathways, allied health pathway and a manufacturing/engineering pathway for any students in grades 9-12. Kenton Middle School offers a semester of Project Lead the Way course for all seventh and eighth grade students.

During the 2016-2017 school year the District will begin the process to design and build a new bus and maintenance facility.

The District is partnering with Health Partners of Northwest Ohio to make health clinics and social workers accessible at each building. The Wildcat Clinics are open to students, staff and the community.

Through a \$600,000 Straight A Grant, the District will redesign professional development for all certified staff. Teachers who successfully complete the course work will receive college credit from Ashland University to use toward licensure renewal.

Through a partnership with the Hardin County Chamber and Business Alliance, Quest Federal Credit Union, the Hardin County Ministerial Association and a 3-year 21<sup>st</sup> Century Grant (\$600,000), the District is able to provide career based instruction, mentoring, tutoring, and internships for students in grades K-12.

Through the District's grant writing efforts, Kenton Elementary School has become a "Leader in Me" building. The implementation for this program will take place over the next three years which will include professional development and programming for students, staff and parents.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Tracy Hiller, Treasurer, Kenton City School District, 222 West Carrol Street, Kenton, Ohio 43326.



**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 11,182,707
Cash and cash equivalents with escrow agents .	32,211
Total assets. . . . .	11,214,918
 <b>Net cash position:</b>	
Restricted for:	
Capital projects . . . . .	1,627,116
Classroom facilities maintenance . . . . .	406,723
Debt service. . . . .	385,915
Locally funded programs . . . . .	1,497
Federally funded programs . . . . .	3,749
Public school support . . . . .	4,453
Student activities . . . . .	95,746
Other purposes . . . . .	243,921
Unrestricted . . . . .	8,445,798
Total net cash position . . . . .	\$ 11,214,918

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	Cash Disbursements	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 10,418,944	\$ 1,100,440	\$ 558,710	\$ -	\$ (8,759,794)
Special . . . . .	3,598,170	183,525	931,790	-	(2,482,855)
Vocational . . . . .	227,488	-	17,217	-	(210,271)
Support services:					
Pupil . . . . .	624,758	-	41,323	-	(583,435)
Instructional staff . . . . .	503,873	-	50,727	-	(453,146)
Board of education . . . . .	51,867	-	-	-	(51,867)
Administration . . . . .	1,797,158	-	21,264	-	(1,775,894)
Fiscal . . . . .	441,785	-	1,729	-	(440,056)
Operations and maintenance . . . . .	1,981,007	26,520	4,919	24,478	(1,925,090)
Pupil transportation . . . . .	865,592	-	2,459	-	(863,133)
Central . . . . .	5,225	-	-	-	(5,225)
Operation of non-instructional services:					
Other non-instructional services . . . . .	98,543	-	2,934	-	(95,609)
Food service operations . . . . .	1,043,428	289,676	558,012	-	(195,740)
Extracurricular activities . . . . .	634,586	156,948	76,686	-	(400,952)
Facilities acquisition and construction . . . . .	612,280	-	-	-	(612,280)
Debt service:					
Principal retirement . . . . .	355,000	-	-	-	(355,000)
Interest and fiscal charges . . . . .	423,281	-	-	-	(423,281)
<b>Total governmental activities . . . . .</b>	<b>\$ 23,682,985</b>	<b>\$ 1,757,109</b>	<b>\$ 2,267,770</b>	<b>\$ 24,478</b>	<b>(19,633,628)</b>
<b>General receipts:</b>					
Property taxes levied for:					
General purposes . . . . .					4,578,088
Classroom facilities maintenance . . . . .					86,359
Debt service . . . . .					727,994
Income taxes levied for:					
General purposes . . . . .					2,815,161
Grants and entitlements not restricted to specific programs . . . . .					11,963,076
Investment earnings . . . . .					41,388
Sale of capital assets . . . . .					52,550
Miscellaneous . . . . .					138,396
<b>Total general receipts . . . . .</b>					<b>20,403,012</b>
Change in net cash position . . . . .					769,384
<b>Net cash position at beginning of year . . . . .</b>					<b>10,445,534</b>
<b>Net cash position at end of year . . . . .</b>					<b>\$ 11,214,918</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 6,302,722	\$ 2,409,321	\$ 1,207,209	\$ 1,263,455	\$ 11,182,707
Cash and cash equivalents with escrow agents . . . . .	-	-	32,211	-	32,211
Total assets . . . . .	<u>6,302,722</u>	<u>2,409,321</u>	<u>1,239,420</u>	<u>1,263,455</u>	<u>11,214,918</u>
<b>Fund cash balances:</b>					
Restricted:					
Debt service . . . . .	-	-	-	385,915	385,915
Capital improvements . . . . .	-	112,500	1,239,420	275,196	1,627,116
Classroom facilities maintenance . . . . .	-	-	-	406,723	406,723
Food service operations . . . . .	-	-	-	242,223	242,223
Other purposes. . . . .	-	-	-	11,397	11,397
Extracurricular activities . . . . .	-	-	-	95,746	95,746
Committed:					
Underground storage tank . . . . .	11,000	-	-	-	11,000
Assigned:					
Student instruction . . . . .	462,082	-	-	-	462,082
Student and staff support. . . . .	176,260	-	-	-	176,260
Extracurricular activities . . . . .	31,727	-	-	-	31,727
Capital improvements . . . . .	-	2,296,821	-	-	2,296,821
Unassigned (deficit). . . . .	5,621,653	-	-	(153,745)	5,467,908
Total fund cash balances . . . . .	<u>\$ 6,302,722</u>	<u>\$ 2,409,321</u>	<u>\$ 1,239,420</u>	<u>\$ 1,263,455</u>	<u>\$ 11,214,918</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>					
From local sources:					
Property taxes . . . . .	\$ 4,578,088	\$ -	\$ -	\$ 814,353	\$ 5,392,441
Income taxes . . . . .	2,815,161	-	-	-	2,815,161
Tuition . . . . .	1,081,025	-	-	-	1,081,025
Earnings on investments . . . . .	37,827	-	3,013	548	41,388
Charges for services . . . . .	-	-	-	289,734	289,734
Extracurricular . . . . .	11,148	-	-	145,800	156,948
Classroom materials and fees . . . . .	37,810	-	-	-	37,810
Rental income . . . . .	26,520	-	-	-	26,520
Contributions and donations . . . . .	7,750	-	-	53,712	61,462
Contract services . . . . .	165,072	-	-	-	165,072
Other local revenues . . . . .	153,305	-	24,478	715	178,498
Intergovernmental - state . . . . .	12,004,775	-	-	228,300	12,233,075
Intergovernmental - federal . . . . .	258,810	-	-	1,661,875	1,920,685
Total cash receipts . . . . .	<u>21,177,291</u>	<u>-</u>	<u>27,491</u>	<u>3,195,037</u>	<u>24,399,819</u>
<b>Cash disbursements:</b>					
Current:					
Instruction:					
Regular . . . . .	10,168,032	-	-	250,912	10,418,944
Special . . . . .	2,665,030	-	-	933,140	3,598,170
Vocational . . . . .	227,488	-	-	-	227,488
Support services:					
Pupil . . . . .	575,213	-	-	49,545	624,758
Instructional staff . . . . .	450,730	-	-	53,143	503,873
Board of education . . . . .	51,867	-	-	-	51,867
Administration . . . . .	1,772,540	-	-	24,618	1,797,158
Fiscal . . . . .	424,764	-	-	17,021	441,785
Operations and maintenance . . . . .	1,975,905	-	-	5,102	1,981,007
Pupil transportation . . . . .	865,592	-	-	-	865,592
Central . . . . .	5,225	-	-	-	5,225
Operation of non-instructional services:					
Other operation of non-instructional . . . . .	95,453	-	-	3,090	98,543
Food service operations . . . . .	-	-	-	1,043,428	1,043,428
Extracurricular activities . . . . .	408,383	-	-	226,203	634,586
Facilities acquisition and construction . . . . .	-	-	536,012	76,268	612,280
Debt service:					
Principal retirement . . . . .	-	-	-	355,000	355,000
Interest and fiscal charges . . . . .	-	-	-	423,281	423,281
Total cash disbursements . . . . .	<u>19,686,222</u>	<u>-</u>	<u>536,012</u>	<u>3,460,751</u>	<u>23,682,985</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>1,491,069</u>	<u>-</u>	<u>(508,521)</u>	<u>(265,714)</u>	<u>716,834</u>
<b>Other financing sources:</b>					
Sale of capital assets . . . . .	50	52,500	-	-	52,550
Total other financing sources . . . . .	<u>50</u>	<u>52,500</u>	<u>-</u>	<u>-</u>	<u>52,550</u>
Net change in fund cash balances . . . . .	1,491,119	52,500	(508,521)	(265,714)	769,384
<b>Fund cash balances at beginning of year . . . . .</b>	<u>4,811,603</u>	<u>2,356,821</u>	<u>1,747,941</u>	<u>1,529,169</u>	<u>10,445,534</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 6,302,722</u>	<u>\$ 2,409,321</u>	<u>\$ 1,239,420</u>	<u>\$ 1,263,455</u>	<u>\$ 11,214,918</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,275,284	\$ 4,579,716	\$ 4,578,088	\$ (1,628)
Income taxes. . . . .	3,066,359	2,775,974	2,815,161	39,187
Tuition. . . . .	1,043,437	1,038,680	1,081,025	42,345
Earnings on investments . . . . .	18,198	27,662	37,827	10,165
Classroom materials and fees . . . . .	515	500	-	(500)
Rental income . . . . .	27,942	27,118	26,520	(598)
Contract services. . . . .	51,641	100,119	165,071	64,952
Other local revenues . . . . .	25,530	24,777	61,641	36,864
Intergovernmental - state . . . . .	11,522,812	11,847,462	12,004,775	157,313
Intergovernmental - federal . . . . .	142,002	137,816	258,810	120,994
Total budgetary basis receipts. . . . .	<u>20,173,720</u>	<u>20,559,824</u>	<u>21,028,918</u>	<u>469,094</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	10,816,240	10,688,798	10,501,501	187,297
Special. . . . .	2,773,775	2,346,043	2,703,041	(356,998)
Vocational. . . . .	253,815	280,072	271,881	8,191
Support services:				
Pupil. . . . .	606,444	632,258	579,240	53,018
Instructional staff . . . . .	479,043	514,315	465,376	48,939
Board of education . . . . .	95,879	62,630	53,962	8,668
Administration. . . . .	1,906,795	2,013,227	1,816,434	196,793
Fiscal . . . . .	465,163	298,012	433,624	(135,612)
Operations and maintenance. . . . .	2,347,457	2,497,937	2,067,866	430,071
Pupil transportation . . . . .	1,154,113	1,020,193	876,370	143,823
Central. . . . .	5,500	5,500	5,225	275
Other operation of non-instructional services . . . . .	91,600	103,722	95,453	8,269
Extracurricular activities. . . . .	442,871	462,420	379,381	83,039
Total budgetary basis disbursements . . . . .	<u>21,438,695</u>	<u>20,925,127</u>	<u>20,249,354</u>	<u>675,773</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . . . .	<u>(1,264,975)</u>	<u>(365,303)</u>	<u>779,564</u>	<u>1,144,867</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	89,790	89,790	76,794	(12,996)
Refund of prior year's receipts. . . . .	-	-	(39)	(39)
Sale of capital assets . . . . .	3,600	1,000	50	(950)
Total other financing sources (uses) . . . . .	<u>93,390</u>	<u>90,790</u>	<u>76,805</u>	<u>(13,985)</u>
Net change in fund balance . . . . .	(1,171,585)	(274,513)	856,369	1,130,882
<b>Fund balance at beginning of year . . . . .</b>	<b>4,364,681</b>	<b>4,364,681</b>	<b>4,364,681</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>371,652</b>	<b>371,652</b>	<b>371,652</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,564,748</u></b>	<b><u>\$ 4,461,820</u></b>	<b><u>\$ 5,592,702</u></b>	<b><u>\$ 1,130,882</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET CASH POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 31,721	\$ 79,786
Total assets. . . . .	31,721	\$ 79,786
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 79,786
Total liabilities . . . . .	-	\$ 79,786
<b>Net cash position:</b>		
Held in trust for students . . . . .	189	
Held in trust for scholarships . . . . .	31,532	
Total net cash position . . . . .	\$ 31,721	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET CASH POSITION  
PRIVATE-PURPOSE TRUST FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 11,210
Total additions. . . . .	11,210
 <b>Deductions:</b>	
Scholarships awarded . . . . .	11,820
Change in net position . . . . .	(610)
<b>Net cash position at beginning of year . .</b>	32,331
<b>Net cash position at end of year . . . . .</b>	\$ 31,721

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

Kenton City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and 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, Dudley, Goshen, Lynn, McDonald, and Taylor Creek Townships, and the City of Kenton. The District is staffed by 82 classified employees, 132 certified teaching personnel, and 24 administrative employees who provide services to 1,896 students and other community members. The District currently operates eight instructional/support buildings.

**NOTE 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 ensure 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 Kenton City 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. There are no component units of the Kenton City District.

The District participates in two jointly governed organizations and three insurance pools. These organizations are the Ohio Hi-Point Career Center, Western Ohio Computer Organization, Schools of Ohio Risk Sharing Authority, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Basis of Presentation**

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

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

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

**C. Fund Accounting**

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

**GOVERNMENTAL FUNDS**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major governmental funds are the General Fund and the Building and Ohio School Facilities Commission capital projects funds.

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

Permanent Improvement Fund - The permanent improvement fund accounts for transfers and the sale of property that are assigned and restricted, respectively, to acquiring or constructing capital facilities.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Classroom facilities fund* - The classroom facilities fund is used to account for resources received and restricted for expenditures in connection with contracts entered into by the District and the Ohio School Facilities Commission for building an elementary school.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, (b) financial resources that are restricted, committed or assigned to expenditures for principal and interest and (c) financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

***FIDUCIARY FUNDS***

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

**D. Basis of Accounting**

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**E. Budgetary Process**

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

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

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

**F. Cash and Investments**

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

Cash and cash equivalents that are held separately for the District by escrow agents for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agents".

During fiscal year 2016, investments consisted of a U.S. Government money market account, Federal Home Loan Bank (FHLB) bonds, Federal Home Loan Mortgage Corporation (FHLMC) bonds and U.S. Treasury Bills. Investments 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 2016 was \$37,827, which includes \$15,124 assigned from other District funds. Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**G. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions.

Resources set aside in separate escrow accounts, whose use is limited to the payment of retainage to contractors, are reported as restricted.

**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**I. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the District.

**J. Long-Term Obligations**

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**K. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, and federal and state grants. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions.

*Committed* - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Assigned* - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. Fund balance policy of the Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

*Unassigned* - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**M. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2016, the follow funds had deficit fund balances:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Public school preschool	\$ 11,014
Vocational education enhancement	1,336
Title VI-B	50,547
Title I	39,708
IDEA preschool grant	1,967
Title II-A	2,696
Miscellaneous federal grants	46,477

The general fund provides transfers to cover deficit balances; however, this is done when cash is needed.

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Compliance**

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**C. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

**A. Cash on Hand**

At fiscal year end, the School District had \$200 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Deposits**

At June 30, 2016, the carrying amount of all District deposits was \$8,670,089. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$4,898,807 of the District's bank balance of \$9,017,935 was exposed to custodial risk as discussed below, while \$4,119,128 was covered by the Federal Deposit Insurance Corporation (FDIC).



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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2016, the District has the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>Greater than 24 months</u>
FHLB	\$ 500,000	\$ -	\$ 500,000
FHLMC	500,000	-	500,000
U.S. Treasury Bills	1,397,979	1,397,979	-
U.S. Government money market	<u>258,157</u>	<u>258,157</u>	<u>-</u>
Total	<u>\$ 2,656,136</u>	<u>\$ 1,656,136</u>	<u>\$ 1,000,000</u>

The weighted average maturity of investments is 1.87 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments in federal agency securities and U.S. Treasury Bills were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned the US Government money market an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer other than for commercial paper and banker's acceptances. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 500,000	18.82
FHLMC	500,000	18.82
U.S. Treasury Bills	1,397,979	52.64
U.S. Government money market	<u>258,157</u>	<u>9.72</u>
Total	<u>\$ 2,656,136</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,670,089
Investments	2,656,136
Cash on hand	<u>200</u>
Total	<u>\$ 11,326,425</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 11,214,918
Private-purpose trust funds	31,721
Agency funds	<u>79,786</u>
Total	<u>\$ 11,326,425</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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**NOTE 5 - PROPERTY TAXES - (Continued)**

Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 223,798,410	95.78	\$ 225,199,400	94.55
Public utility personal	<u>9,868,210</u>	<u>4.22</u>	<u>12,973,280</u>	<u>5.45</u>
Total	<u>\$ 233,666,620</u>	<u>100.00</u>	<u>\$ 238,172,680</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$34.20		\$34.20	
Bond retirement	3.50		3.40	
Classroom facilities maintenance	0.50		0.50	

**NOTE 6 - INCOME TAXES**

The District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. A portion of the tax (1 percent) was effective on January 1, 1996, and is for a continuing period. The remaining .5 percent was effective on January 1, 2011, and is for a five-year 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.

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**NOTE 7 - 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 2016, the District contracted for the following insurance coverage.

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

Property	
General Liability	
Per Occurrence	15,000,000
Aggregate	17,000,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000

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

For fiscal year 2016, the District participated in the Schools of Ohio Risk Sharing Authority (SOSRA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

The District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (Trust), a public entity shared risk pool consisting of six 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.

The District participates in the Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The third party administrator, Sheakley Uniservice, Inc., reviews each participants' claims experience and determines the rating tier for that participant. A common premium rate is applied to all participants in a given rating tier. Each participant pays its workers' compensation premium to the State based on the rate for their rating tier rather than its individual rate. Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the Plan.

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**NOTE 8 - COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-end Encumbrances</u>
General fund	\$ 642,501
Classroom facilities fund	106,423
Other governmental	<u>374,959</u>
Total	<u>\$ 1,123,883</u>

**NOTE 9 - PENSION PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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**NOTE 9 - PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$358,657 for fiscal year 2016.

***Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)***

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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**NOTE 9 - PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$1,208,622 for fiscal year 2016.

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**NOTE 9 - PENSION PLANS - (Continued)**

*Net Pension Liability*

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportionate share of the net pension liability	\$ 4,622,412	\$ 22,120,350	\$ 26,742,762
Proportion of the net pension liability	0.08100830%	0.08003868%	

*Actuarial Assumptions - SERS*

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.



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**NOTE 9 - PENSION PLANS - (Continued)**

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 6,409,625	\$ 4,622,412	\$ 3,117,432

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**NOTE 9 - PENSION PLANS - (Continued)**

***Actuarial Assumptions - STRS Ohio***

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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**NOTE 9 - PENSION PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 30,726,835	\$ 22,120,350	\$ 14,842,284

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$42,786, \$59,196, and \$2,990 respectively. 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

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**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$71,422, respectively; 100 percent has been contributed for fiscal year 2014.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Health Care Benefits**

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

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**NOTE 12 - LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2016 were as follows:

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
FY 2012 School Facilities Construction and Improvement Bonds					
Serial Bonds 1.5-4%	\$ 7,675,000	\$ -	\$ (355,000)	\$ 7,320,000	\$ 365,000
Term Bonds 4%	4,705,000	-	-	4,705,000	-
Capital Appreciation Bonds	28,587	-	-	28,587	-
Appreciation Bonds	36,798	19,134	-	55,932	-
Premium	299,955	-	(8,581)	291,374	-
Discount	(133,126)	-	3,808	(129,318)	-
					-
Total General Obligation Bonds	<u>\$ 12,612,214</u>	<u>\$ 19,134</u>	<u>\$ (359,773)</u>	<u>\$ 12,271,575</u>	<u>\$ 365,000</u>

FY 2012 School Facilities Construction and Improvement Bonds - On April 24, 2012, the District issued \$13,604,587 in voted general obligation bonds for constructing and equipping school facilities. The bond issue consists of serial, term, and capital appreciation bonds, in the original amount of \$8,870,000, \$4,705,000, and \$29,587, respectively. The bonds were issued for a twenty-eight fiscal year period, with final maturity in fiscal year 2040. The bonds are being retired through the Bond Retirement debt service fund.

The bonds maturing on December 1, 2039, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2033	\$ 595,000
2034	620,000
2035	645,000
2036	670,000
2037	695,000
2038	725,000

The remaining principal, in the amount of \$755,000, will be paid at stated maturity on December 1, 2039.

The bonds maturing on or after December 1, 2022, are subject to redemption at the option of the District, either in whole or in part, in such order of maturity as the District shall determine, on any date on or after December 1, 2021, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds mature in fiscal year 2022. The maturity amount of the bonds is \$295,000. For fiscal year 2016, \$19,134 was accreted for a total bond value of \$85,519 at fiscal year-end.

The District's overall debt margin was \$9,766,869 with an unvoted debt margin of \$238,173 at June 30, 2016.

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**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2016, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial & Term			Capital Appreciation		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 365,000	\$ 416,993	\$ 781,993	\$ -	\$ -	\$ -
2018	370,000	410,556	780,556	-	-	-
2019	375,000	403,106	778,106	-	-	-
2020	385,000	395,025	780,025	-	-	-
2021	250,000	387,569	637,569	16,410	128,590	145,000
2022 - 2026	1,960,000	1,773,664	3,733,664	13,177	136,823	150,000
2027 - 2031	2,485,000	1,379,755	3,864,755	-	-	-
2032 - 2036	2,990,000	873,804	3,863,804	-	-	-
2037 - 2040	<u>2,835,000</u>	<u>233,300</u>	<u>3,068,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,015,000</u>	<u>\$ 6,273,772</u>	<u>\$ 18,288,772</u>	<u>\$ 29,587</u>	<u>\$ 265,413</u>	<u>\$ 295,000</u>

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the District entered into capital leases for the acquisition of dishwashers and laptops. Each lease meets the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The original amount of the leases was \$161,065. The District made \$36,553 in principal payments on the leases during fiscal year 2016. Capital lease payments are reflected as regular and food service operations disbursements for governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 41,076
2018	<u>39,971</u>
Total minimum lease payments	81,047
Less: amount representing interest	<u>(9,023)</u>
Total	<u>\$ 72,024</u>

**NOTE 14 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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**NOTE 14 - SET-ASIDES - (Continued)**

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	337,106
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(97,236)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(239,870)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal year 2012, the District issued a total of \$13,604,587 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$13,364,717 at June 30, 2016.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Ohio Hi-Point Career Center**

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

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)**

**B. Western Ohio Computer Organization**

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county plus a representative from the fiscal agent District. During fiscal year 2016, the District paid \$97,776 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**NOTE 16 - INSURANCE POOLS**

**A. Schools of Ohio Risk Sharing Authority**

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. SORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between SORSA and its members. Financial information can be obtained from Willis Pooling, 775 Yard Street, Suite 200, Grandview Heights, Ohio 43212.

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

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (Trust) is a public entity shared risk pool consisting of six 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 appoints an individual to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Trust.

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

**C. Better Business Bureau of Central Ohio 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 Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan (Plan) was established through the Better Business Bureau of Ohio as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.



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**NOTE 17 - 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, 2016.

**B. Litigation**

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

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances that are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

**Net Change in Fund Cash Balance**

	<u>General fund</u>
Cash basis	\$ 6,302,722
Funds budgeted elsewhere	(80,015)
Adjustment for encumbrances	<u>(630,005)</u>
Budget basis	<u>\$ 5,592,702</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, public school support fund, special trust fund, rotary fund and termination benefits funds.