KENTON CITY SCHOOL DISTRICT

HARDIN COUNTY

Audit Report

For the Year Ended June 30, 2019

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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Board of Education
Kenton City School District
222 West Carrol Street
Kenton, Ohio 43326

We have reviewed the *Independent Auditor's Report* of the Kenton City School District, Hardin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2018 through June 30, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Kenton City School District is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

February 19, 2020

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KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY
AUDIT REPORT
For the Year Ending June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kenton City School District, Hardin County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kenton City School District, Hardin County, Ohio, as of June 30, 2019, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Charles E. Harris & Associates, Inc.
December 9, 2019

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, 2019, within the limitations of the District's modified 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 modified 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 2019 are as follows:

- The total net cash position of the District decreased $392,052 or 3.20% from fiscal year 2018.
- General cash receipts accounted for $19,388,060 or 77.66% of total governmental activities cash receipts. Program specific cash receipts accounted for $5,577,819 or 22.34% of total governmental activities cash receipts.
- The District had $25,357,931 in cash disbursements related to governmental activities; $5,577,819 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of $19,388,060 were not adequate to provide for these programs.
- The District's major funds are the general fund and permanent improvement fund. The general fund had cash receipts of $21,455,294 in fiscal year 2019. The cash disbursements of the general fund totaled $21,550,710 in fiscal year 2019. The general fund's fund cash balance decreased $95,416 from a balance of $7,641,464 to $7,546,048.
- The permanent improvement fund had cash disbursements of $251,536. The permanent improvement fund cash balance decreased $251,536 from a balance of $2,923,141 to $2,671,605 at the end of fiscal year 2019.

Using this Modified 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 modified cash basis of accounting.

The statement of net position - modified cash basis and statement of activities - modified cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's modified 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 two major governmental funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position - modified cash basis and the statement of activities - modified cash basis answer the question, "How did we do financially during 2019?" 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.

These two statements report the District's net position and changes in those assets on a modified cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the modified 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 modified 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 modified cash basis of accounting.

In the statement of net position - modified cash basis and the statement of activities - modified 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 - modified cash basis and the statement of activities - modified cash basis can be found on pages 14-15 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 and permanent improvement fund. The analysis of the District's major governmental funds begins on page 10.

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 modified 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 modified cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the modified cash basis of accounting, there are no differences in the net modified cash position and fund modified cash balances or changes in net modified cash position and changes in fund modified cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 16-17 of this report.

The District's budgetary process accounts for certain transactions on a modified 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 18 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The 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 19-20.

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 21-50 of this report.

Government-Wide Financial Analysis

Recall that the statement of net position - modified 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, 2019 and 2018.

Net Position

	Governmental Activities 2019	Governmental Activities 2018
Assets		
Equity in pooled cash and cash equivalents	$ 11,866,655	$ 12,258,707
Total assets	11,866,655	12,258,707
Net Position		
Restricted	2,137,787	2,444,581
Unrestricted	9,728,868	9,814,126
Total net position	$ 11,866,655	$ 12,258,707

The total net position of the District decreased $392,052, which represents a 3.20% decrease over fiscal year 2018.

The balance of government-wide unrestricted net position of $9,728,868 may be used to meet the District's ongoing obligations to citizens and creditors.

The table below shows the changes in net modified cash position for fiscal year 2019 and 2018.

Change in Net Position

	Governmental Activities 2019	Governmental Activities 2018
Cash Receipts:		
Program cash receipts:		
Charges for services	$ 2,109,113	$ 2,045,510
Operating grants, contributions and interest	3,468,706	3,572,897
Total program cash receipts	5,577,819	5,618,407
General cash receipts:		
Property taxes	5,524,790	5,411,647
Income taxes	2,207,449	1,984,482
Unrestricted grants	11,235,505	11,210,351
Investment earnings	174,345	109,226
Miscellaneous	245,971	234,780
Total general cash receipts	19,388,060	18,950,486
Total cash receipts	$ 24,965,879	$ 24,568,893

- Continued

Change in Net Position (Continued)

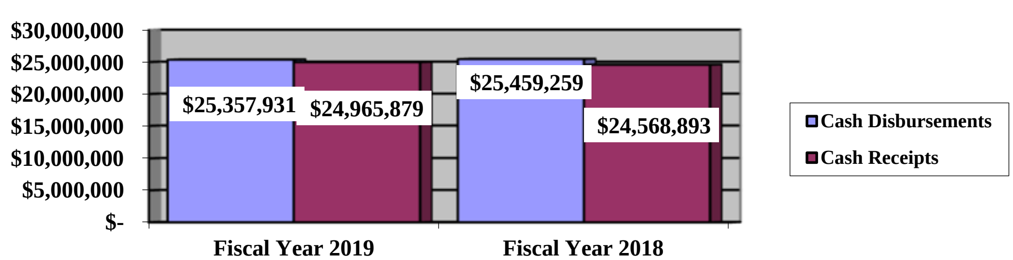
	Governmental Activities 2019	Governmental Activities 2018
Cash Disbursements:		
Instruction:		
Regular	$ 10,945,990	$ 10,639,947
Special	4,212,895	4,120,871
Vocational	266,189	262,997
Support services:		
Pupil	1,100,515	1,088,137
Instructional staff	409,924	473,413
Board of education	56,391	44,269
Administration	1,952,392	1,896,741
Fiscal	453,199	414,055
Operations and maintenance	1,895,308	1,928,233
Pupil transportation	1,272,400	1,998,805
Central	5,225	5,225
Operation of non instructional services:		
Other non instructional services	143,919	174,614
Food service operations	1,062,327	1,019,561
Extracurricular activities	803,151	611,835
Debt service:		
Principal retirement	375,000	370,000
Interest and fiscal charges	403,106	410,556
Total cash disbursements	$ 25,357,931	$ 25,459,259

Governmental Activities

Governmental assets decreased by $392,052 in fiscal year 2019 from fiscal year 2018. Total governmental disbursements of $25,357,931 were offset by program receipts of $5,577,819 and general receipts of $19,388,060. Program receipts supported 22.00% 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 75.97% of total governmental receipts. Real estate property is reappraised every six years.

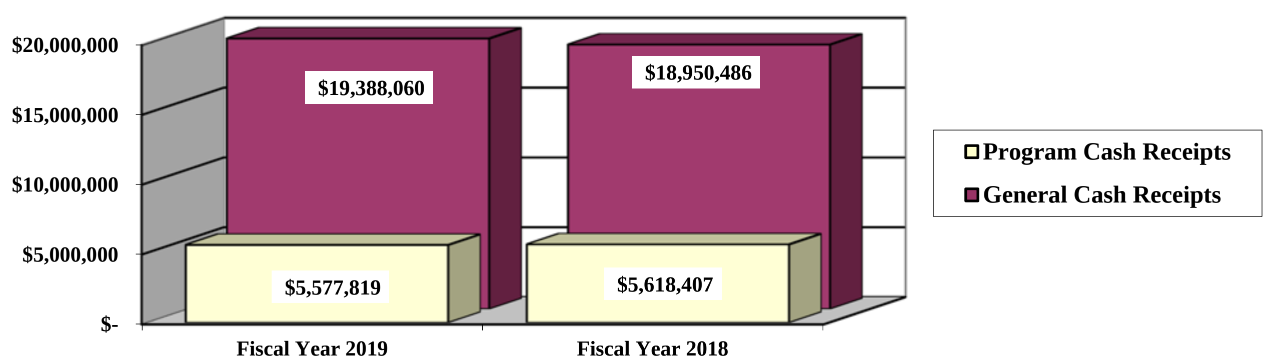
Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



	Governmental Activities			
	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Cash disbursements:				
Instruction:				
Regular	$ 10,945,990	$ 9,581,081	$ 10,639,947	$ 9,244,250
Special	4,212,895	1,536,960	4,120,871	1,479,410
Vocational	266,189	204,663	262,997	201,471
Support services:				
Pupil	1,100,515	1,057,717	1,088,137	983,079
Instructional staff	409,924	371,275	473,413	391,901
Board of education	56,391	56,391	44,269	44,269
Administration	1,952,392	1,948,269	1,896,741	1,863,684
Fiscal	453,199	452,500	414,055	412,183
Operations and maintenance	1,895,308	1,855,806	1,928,233	1,890,122
Pupil transportation	1,272,400	1,217,404	1,998,805	1,959,969
Central	5,225	5,225	5,225	5,225
Operation of non instructional services:				
Other non instructional services	143,919	135,859	174,614	170,418
Food service operations	1,062,327	77,968	1,019,561	26,583
Extracurricular activities	803,151	500,888	611,835	387,732
Debt service:				
Principal retirement	375,000	375,000	370,000	370,000
Interest and fiscal charges	403,106	403,106	410,556	410,556
Total	$ 25,357,931	$ 19,780,112	$ 25,459,259	$ 19,840,852

The dependence upon general cash receipts for governmental activities is apparent; with 78.00% of cash disbursements supported through taxes and other general cash receipts during fiscal year 2019.

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 modified cash basis of accounting.

The District's governmental funds reported a combined fund modified cash balance of $11,866,655, which is $392,052 lower than last year's total balance of $12,258,707. The schedule below indicates the fund modified cash balance and the total change in fund modified cash balance as of June 30, 2019 and June 30, 2018, for all major and nonmajor governmental funds.

	Fund Balance June 30, 2019	Fund Balance June 30, 2018	Change
Major funds:			
General	$ 7,546,048	$ 7,641,464	$ (95,416)
Permanent improvement	2,671,605	2,923,141	(251,536)
Other nonmajor governmental funds	1,649,002	1,694,102	(45,100)
Total	$ 11,866,655	$ 12,258,707	$ (392,052)

General Fund

The general fund had cash receipts of $21,455,294 in fiscal year 2019. The cash disbursements of the general fund totaled $21,550,710 in fiscal year 2019. The general fund's cash balance decreased $95,416 from a balance of $7,641,464 to $7,546,048 primarily due to increases in disbursements and decreases in receipts.

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

	2019 Amount	2018 Amount	Percentage Change
Cash Receipts:			
Taxes	$ 6,927,443	$ 6,604,087	4.90 %
Tuition	1,330,647	1,372,056	(3.02) %
Earnings on investments	174,345	109,161	59.71 %
Other revenues	531,418	492,328	7.94 %
Intergovernmental	12,491,441	12,435,775	0.45 %
Total	$ 21,455,294	$ 21,013,407	2.10 %

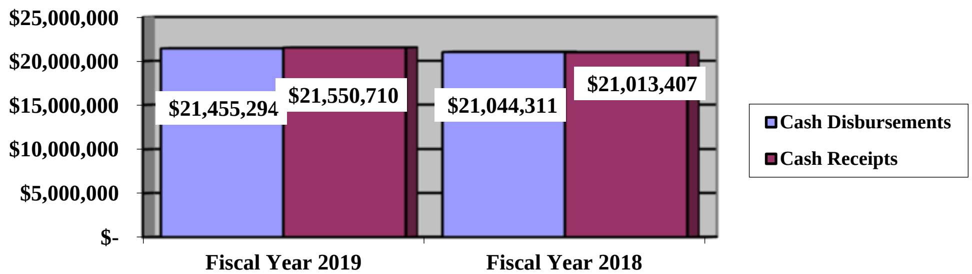
The District's general fund cash receipts increased $441,887 or 2.10%. Taxes increased $323,356 or 4.90% due to an increase in income taxes. Intergovernmental receipts increased $55,666 or 0.45% due to an increase in foundation revenue received from the State. Tuition decreased due a decrease in open enrollment.

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

	2019 Amount	2018 Amount	Percentage Change
Cash Disbursements			
Instruction	$ 14,198,562	$ 13,821,757	2.73 %
Support services	6,773,398	6,631,385	2.14 %
Operation of non instruction	135,398	170,387	(20.54) %
Extracurricular	443,352	420,782	5.36 %
Total	$ 21,550,710	$ 21,044,311	2.41 %

The District's general fund cash disbursements increased $506,399 or 2.41%. The largest increase was in the area of instruction which increased $376,805. This increase was primarily due in wage and benefit increases given to employees. In March 2019, the District's insurance premiums increased 15% which was the primary reason behind the increase.

General Fund - Total Cash Receipts vs. Total Cash Disbursements



Permanent Improvement Fund

The permanent improvement fund had cash disbursements of $251,536. The permanent improvement fund cash balance decreased $251,536 from a balance of $2,923,141 to $2,671,605 at the end of fiscal year 2019.

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, original and final budget basis receipts and other financing sources were $20,456,019. Actual cash receipts of $21,376,033 were more than final budget estimates by $920,014. The final budget basis disbursements were $23,818,926 were decreased $1,515,722 from original budget basis disbursements of $25,334,648 due to budget cutbacks in various functional categories. The actual budgetary basis disbursements of $22,096,226 were $1,722,700 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying modified 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, 2019 and 2018:

	Governmental Activities 2019	Governmental Activities 2018
FY 2012 school facilities costruction and improvement bonds		
Serial, term and capital appreciation bonds	$ 11,097,828	$ 11,431,922
Premiums	264,545	273,609
Discounts	(117,410)	(121,433)
Total long-term obligations	$ 11,244,963	$ 11,584,098

Current Issues

The District has contracted with Garminn Miller to begin the design work for a new 7-12 building project. We are working closely with the Ohio Facilities Construction Commission on our funding cycle placement and preparing to seek community support for the new facility.

The grand opening was held for the new athletic facility that the Kenton Athletic Boosters donated to the District. This facility is equipped with artificial turf, allowing the District to utilize the building all year long. The District also constructed a new concession stand/press box this summer at our soccer field.

The District continues to partner 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.

We have been awarded an Expanding Opportunities for Every Child grant. This is a three year grant totaling $400,000 that will be used to expand our internship capstone and pathways for student programs. We have partnered with Midwest Regional Education Service Center for the leadership of this program.

The District has also been awarded the School Climate Grant which will facilitate the leadership programs at Kenton Elementary.

Through the District's grant writing efforts, Kenton Elementary School has become a "Leader in Me" building. We are in year four for this program, which includes professional development and programming for students, staff and parents. The District has also been able to make Kenton Middle School a "Leader in Me" building. They are in year two of the implementation process.

Design labs and innovation opportunities continue to be developed for our students in grades 7-12. Our Art Department has expanded to include graphic design. We are working Ohio Hi-Point Career Center to develop this into another of our career tech pathways.

The District has become a site for Inventionland. This curriculum is taught in grades 4-8 and pathways are being developed this year for students in grades 9-12 support entrepreneurial innovation.

Health insurance costs will continue to have a significant impact on the financial condition of the District moving forward. In July 2019, insurance premiums increased 19% to go along with an increase of 15% that occurred in March of 2019. The District will continue to keep an eye on these cost increases for any future impact that it may have on staffing levels and whether or not hiring replacement staff will be possible.

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 - MODIFIED CASH BASIS
JUNE 30, 2019

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 11,866,655
Total assets	11,866,655
Net cash position:	
Restricted for:	
Capital projects	588,823
Classroom facilities maintenance	646,782
Debt service	433,623
Locally funded programs	1,497
State funded programs	10,232
Public school support	4,453
Student activities	183,789
Other purposes	268,588
Unrestricted	9,728,868
Total net cash position	$ 11,866,655

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY, OHIO

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Cash Disbursements	Program Cash Receipts: Charges for Services and Sales	Program Cash Receipts: Operating Grants and Contributions	Net (Disbursements) Receipts and Change in Net Position: Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 10,945,990	$ 1,211,811	$ 153,098	$ (9,581,081)
Special	4,212,895	361,984	2,313,951	(1,536,960)
Vocational	266,189	-	61,526	(204,663)
Support services:				
Pupil	1,100,515	-	42,798	(1,057,717)
Instructional staff	409,924	-	38,649	(371,275)
Board of education	56,391	-	-	(56,391)
Administration	1,952,392	-	4,123	(1,948,269)
Fiscal	453,199	-	699	(452,500)
Operations and maintenance	1,895,308	17,325	22,177	(1,855,806)
Pupil transportation	1,272,400	-	54,996	(1,217,404)
Central	5,225	-	-	(5,225)
Operation of non-instructional services:				
Other non-instructional services	143,919	-	8,060	(135,859)
Food service operations	1,062,327	252,539	731,820	(77,968)
Extracurricular activities	803,151	265,454	36,809	(500,888)
Debt service:				
Principal retirement	375,000	-	-	(375,000)
Interest and fiscal charges	403,106	-	-	(403,106)
Total governmental activities	$ 25,357,931	$ 2,109,113	$ 3,468,706	(19,780,112)

General receipts:	
Property taxes levied for:	
General purposes	4,719,994
Classroom facilities maintenance	88,260
Debt service	716,536
Income taxes levied for:	
General purposes	2,207,449
Grants and entitlements not restricted to specific programs	11,235,505
Investment earnings	174,345
Miscellaneous	245,971
Total general receipts	19,388,060
Change in net cash position	(392,052)
Net cash position at beginning of year	12,258,707
Net cash position at end of year	$ 11,866,655

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash				
and investments	$ 7,546,048	$ 2,671,605	$ 1,649,002	$ 11,866,655
Total assets	7,546,048	2,671,605	1,649,002	11,866,655
Fund cash balances:				
Restricted:				
Debt service	-	-	433,623	433,623
Capital improvements	-	374,784	214,039	588,823
Classroom facilities maintenance	-	-	646,782	646,782
Food service operations	-	-	268,588	268,588
Other purposes	-	-	16,182	16,182
Extracurricular activities	-	-	183,789	183,789
Committed:				
Underground storage tank	11,000	-	-	11,000
Assigned:				
Student instruction	391,635	-	-	391,635
Student and staff support	239,466	-	-	239,466
Extracurricular activities	26,852	-	-	26,852
Capital improvements	-	2,296,821	-	2,296,821
Unassigned (deficit)	6,877,095	-	(114,001)	6,763,094
Total fund cash balances	$ 7,546,048	$ 2,671,605	$ 1,649,002	$ 11,866,655

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 - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:				
From local sources:				
Property taxes	$ 4,719,994	$ -	$ 804,796	$ 5,524,790
Income taxes.	2,207,449	-	-	2,207,449
Tuition.	1,330,647	-	-	1,330,647
Earnings on investments	174,345	-	-	174,345
Charges for services	-	-	252,539	252,539
Extracurricular.	24,874	-	240,480	265,354
Classroom materials and fees	35,982	-	-	35,982
Rental income	17,325	-	-	17,325
Contributions and donations	13,948	-	34,022	47,970
Contract services.	207,266	-	-	207,266
Other local revenues	232,023	-	4,608	236,631
Intergovernmental - state	12,276,717	-	287,589	12,564,306
Intergovernmental - federal	214,724	-	1,886,551	2,101,275
Total cash receipts.	21,455,294	-	3,510,585	24,965,879
Cash disbursements:				
Current:				
Instruction:				
Regular.	10,810,569	-	135,421	10,945,990
Special	3,121,804	-	1,091,091	4,212,895
Vocational	266,189	-	-	266,189
Support services:				
Pupil	1,065,915	-	34,600	1,100,515
Instructional staff	372,727	-	37,197	409,924
Board of education	56,391	-	-	56,391
Administration	1,949,059	-	3,333	1,952,392
Fiscal	436,220	-	16,979	453,199
Operations and maintenance	1,824,558	12,158	58,592	1,895,308
Pupil transportation	1,063,303	92,558	116,539	1,272,400
Central	5,225	-	-	5,225
Operation of non-instructional services:				
Other operation of non-instructional services	135,398	-	8,521	143,919
Food service operations.	-	-	1,062,327	1,062,327
Extracurricular activities	443,352	146,820	212,979	803,151
Debt service:				
Principal retirement.	-	-	375,000	375,000
Interest and fiscal charges	-	-	403,106	403,106
Total cash disbursements	21,550,710	251,536	3,555,685	25,357,931
Net change in fund cash balances.	(95,416)	(251,536)	(45,100)	(392,052)
Fund cash balances at beginning of year.	7,641,464	2,923,141	1,694,102	12,258,707
Fund cash balances at end of year	$ 7,546,048	$ 2,671,605	$ 1,649,002	$ 11,866,655

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 AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Budgetary basis receipts:				
From local sources:				
Property taxes	$ 4,388,625	$ 4,388,625	$ 4,719,994	$ 331,369
Income taxes.	2,024,172	2,024,172	2,207,449	183,277
Tuition.	1,358,420	1,358,420	1,330,647	(27,773)
Transportation fees.	3,000	3,000	-	(3,000)
Earnings on investments	115,000	115,000	174,345	59,345
Classroom materials and fees	-	-	395	395
Rental income	15,000	15,000	17,325	2,325
Contract services.	135,000	135,000	207,266	72,266
Other local revenues	58,500	58,500	144,545	86,045
Intergovernmental - state	12,158,302	12,158,302	12,276,717	118,415
Intergovernmental - federal	100,000	100,000	214,724	114,724
Total budgetary basis receipts.	20,356,019	20,356,019	21,293,407	937,388
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	12,813,608	11,836,962	11,010,597	826,365
Special.	3,521,913	3,423,674	3,208,298	215,376
Vocational.	331,493	329,343	324,792	4,551
Support services:				
Pupil.	1,234,332	1,200,243	1,095,802	104,441
Instructional staff	436,708	438,691	381,685	57,006
Board of education	56,918	83,912	59,635	24,277
Administration.	2,119,322	2,095,574	1,996,295	99,279
Fiscal	461,078	479,324	443,672	35,652
Operations and maintenance.	2,379,124	2,132,259	1,938,329	193,930
Pupil transportation	1,363,750	1,172,948	1,092,220	80,728
Central.	5,500	5,500	5,225	275
Other operation of non-instructional services	157,810	150,810	135,398	15,412
Extracurricular activities.	453,092	469,686	404,278	65,408
Total budgetary basis disbursements	25,334,648	23,818,926	22,096,226	1,722,700
Excess of budgetary basis disbursements over budgetary basis receipts	(4,978,629)	(3,462,907)	(802,819)	2,660,088
Other financing sources:				
Refund of prior year's expenditures	100,000	100,000	82,626	(17,374)
Total other financing sources	100,000	100,000	82,626	(17,374)
Net change in fund balance	(4,878,629)	(3,362,907)	(720,193)	2,642,714
Unencumbered fund balance at beginning of year	6,884,693	6,884,693	6,884,693	-
Prior year encumbrances appropriated	683,551	683,551	683,551	-
Unencumbered fund balance at end of year.	$ 2,689,615	$ 4,205,337	$ 6,848,051	$ 2,642,714

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, 2019

	Private-Purpose Trust	
	Scholarship	**Agency**
Assets:		
Equity in pooled cash and investments	$ 41,601	$ 96,153
Cash in segregated accounts.	-	12,571
Total assets.	41,601	$ 108,724
Liabilities:		
Due to students.	-	$ 96,153
Due to others	-	12,571
Total liabilities	-	$ 108,724
Net cash position:		
Held in trust for students	1,887	
Held in trust for scholarships	39,714	
Total net cash position	$ 41,601	

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, 2019

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	$ 10,550
Total additions.	10,550
Deductions:	
Scholarships awarded	10,150
Change in net position	400
Net cash position at beginning of year . .	41,201
Net cash position at end of year	$ 41,601

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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 94 classified employees, 141 certified teaching personnel, and 29 administrative employees who provide services to 1,844 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 School 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 School 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 15 and 16 to the basic financial statements.

These financial statements are presented on a modified 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 modified cash basis of accounting. Following are the more significant of the District’s accounting policies.

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.

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

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 modified 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 modified 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 Permanent Improvement capital project fund.

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

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.

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.

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

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 funds accounts for various student-managed activities, a flexible spending account (FSA) and a health reimbursement account (HSA).

D. Basis of Accounting

The District's financial statements are prepared using the modified 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 modified 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.

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.

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

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 Investments”.

During fiscal year 2019, investments consisted of a U.S. Government money market account, Federal Home Loan Bank (FHLB) bonds, Federal Home Loan Mortgage Corporation (FHLMC) bonds, negotiable certificates of deposit, nonnegotiable certificates of deposit and STAR Ohio. 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 2019 was $174,345, which includes $65,807 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.

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

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. Capital Assets

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

H. 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 modified cash basis of accounting used by the District.

I. Long-Term Obligations

Modified 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.

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

J. 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.

K. 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.

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. The Board may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriation budget.

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.

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

L. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2019, the District has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2019 included the following individual fund deficits:

Nonmajor funds	Deficit
Public school preschool	$ 9,022
Vocational education enhancement	2,249
Title VI-B	46,846
Title I	45,185
IDEA preschool grant	3,968
Titke II-A	3,268
Miscellaneous federal grants	3,463

The general fund is liable for any deficit in these funds and provides transfers when cash is required.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. 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 modified 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.

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.

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, the State Treasury Asset Reserve of Ohio (STAR Ohio);

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two-hundred-seventy days; and,

9. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one-hundred-eighty days.

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

A. Cash on Hand

At fiscal year end, the 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 investments”.

B. Cash in Segregated Accounts

At June 30, 2019, the District had $12,571 in cash in segregated accounts held for a flex spending account and a health reimbursement account. These amounts are included in “deposits with financial institutions” below.

C. Deposits

At June 30, 2019, the carrying amount of all District deposits was $6,710,679, including $1,598,525 in nonnegotiable certificates of deposit, and the bank balance of all District deposits was $6,822,520. Of the bank balance, $2,393,034 was covered by the FDIC and $4,429,486 was covered by collateral as described below.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2019, the District has the following investments:

		Investment Maturities			
Investment type	Cost	6 months or less	7 to 12 months	13 to 18 months	Greater than 24 months
FHLMC	$ 550,000	$ -	$ -	$ -	$ 550,000
FHLB	1,000,000	-	-	-	1,000,000
Negotiable CDs	2,186,000	1,211,000	486,000	489,000	-
US Government money market	7,991	7,991	-	-	-
STAR Ohio	1,562,110	1,562,110	-	-	-
Total	$ 5,306,101	$ 2,781,101	$ 486,000	$ 489,000	$ 1,550,000

The weighted average maturity of investments is 1.03 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 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.

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, 2019:

Investment type	Cost	% of Total
FHLMC	$ 550,000	10.37
FHLB	1,000,000	18.85
Negotiable CDs	2,186,000	41.19
US Government money market	7,991	0.15
STAR Ohio	1,562,110	29.44
Total	$ 5,306,101	100.00

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Position - Modified Cash Basis

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 - modified cash basis as of June 30, 2019:

Cash and investments per note	
Carrying amount of deposits	$ 6,710,679
Investments	5,306,101
Cash on hand	200
Total	$ 12,016,980
Cash and investments per financial statements	
Governmental activities	$ 11,866,655
Private-purpose trust funds	41,601
Agency funds	108,724
Total	$ 12,016,980

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 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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, 2019, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 214,595,310	93.85	$ 217,869,810	92.63
Public utility personal	14,071,610	6.15	17,327,320	7.37
Total	$ 228,666,920	100.00	$ 235,197,130	100.00
Tax rate per $1,000 of assessed valuation for:				
General operations	$34.20		$34.20	
Bond retirement	3.50		3.50	
Classroom facilities maintenance	0.50		0.50	

NOTE 6 - INCOME TAXES

The District levies a voted tax of 1.0 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. 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.

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 2019, the District contracted for the following insurance coverage.

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

Property	$ 73,497,314
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 2019, 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.

NOTE 7 - RISK MANAGEMENT - (Continued)

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.

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:

Fund	Year-end Encumbrances
General fund	$ 634,837
Permanent improvement fund	122,094
Other governmental	153,385
Total	$ 910,316

NOTE 9 - DEFINED BENEFIT 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit: or 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above of below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The District's contractually required contribution to SERS was $409,339 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 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 bearing the risk of investment gain or loss on the account. STRS 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 to 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $1,367,641 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, 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	Total
Proportion of the net pension liability prior measurement date	0.09073710%	0.08454609%	
Proportion of the net pension liability current measurement date	0.08857930%	0.08530995%	
Change in proportionate share	-0.00215780%	0.00076386%	
Proportionate share of the net pension liability	$ 5,073,101	$ 18,757,743	$ 23,830,844

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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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 average 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 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate **-** The total pension liability was calculated using the discount rate of 7.50%. 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 (7.50%). 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

***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 7.50%, 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 (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 7,145,845	$ 5,073,101	$ 3,335,243

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate **-** The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	$ 27,393,214	$ 18,757,743	$ 11,448,988

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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.

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The net OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset 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 these estimates 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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was $49,971.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was $65,132 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.09208390%	0.08454609%	
Proportion of the net OPEB liability/asset current measurement date	0.09014930%	0.08530995%	
Change in proportionate share	-0.00193460%	0.00076386%	
Proportionate share of the net OPEB liability	$ 2,500,985	$ -	$ 2,500,985
Proportionate share of the net OPEB asset	$ -	$ 1,370,844	$ 1,370,844

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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 OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

***Discount Rate* -** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates* -** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 3.75%) and higher (8.5% decreasing to 5.75%) than the current rate.

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (2.70%)	Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	$ 3,034,749	$ 2,500,985	$ 2,078,344

	1% Decrease (6.5 % decreasing to 3.75 %)	Current Trend Rate (7.5 % decreasing to 4.75 %)	1% Increase (8.5 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	$ 2,017,836	$ 2,500,985	$ 3,140,761

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
	Initial	Ultimate	
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate **-** The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate **-** The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower 6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	$ 1,174,942	$ 1,370,844	$ 1,535,490

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	$ 1,526,196	$ 1,370,844	$ 1,213,072

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.

NOTE 12 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2019 were as follows:

	Balance 6/30/18	Additions	Reductions	Balance 6/30/19	Due Within One Year
Governmental Activities:					
General Obligation Bonds					
FY 2012 School Facilities Construction and Improvement Bonds					
Serial Bonds 1.5-4%	$ 6,585,000	$ -	$ (375,000)	$ 6,210,000	$ 385,000
Term Bonds 4%	4,705,000	-	-	4,705,000	-
Capital Appreciation Bonds	29,587	-	-	29,587	-
Accreted interest	112,335	40,906	-	153,241	-
Premium	273,609	-	(9,064)	264,545	-
Discount	(121,433)	-	4,023	(117,410)	-
Total General Obligation Bonds	$ 11,584,098	$ 40,906	$ (380,041)	$ 11,244,963	$ 385,000

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 2019, $40,906 was accreted for a total bond value of $182,828 at fiscal year-end.

The District's overall debt margin was $10,656,778 with an unvoted debt margin of $235,197 at June 30, 2019.

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2019, were as follows:

Fiscal Year	General Obligation Bonds					
Ending	Serial & Term			Capital Appreciation		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2020	$ 385,000	$ 395,025	$ 780,025	$ -	$ -	$ -
2021	250,000	387,569	637,569	16,410	128,590	145,000
2022	250,000	380,694	630,694	13,177	136,823	150,000
2023	405,000	368,844	773,844	-	-	-
2024	420,000	354,444	774,444	-	-	-
2025 - 2029	2,320,000	1,552,575	3,872,575	-	-	-
2030 - 2034	2,775,000	1,091,966	3,866,966	-	-	-
2035 - 2039	3,355,000	496,900	3,851,900	-	-	-
2040	755,000	15,100	770,100	-	-	-
Total	$ 10,915,000	$ 5,043,117	$ 15,958,117	$ 29,587	$ 265,413	$ 295,000

NOTE 13 - 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.

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.

	Capital Improvements
Set-aside balance June 30, 2018	$ -
Current year set-aside requirement	325,299
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(99,124)
Waiver granted by ODE	-
Prior year offset from bond proceeds	(226,175)
Total	$ -
Balance carried forward to fiscal year 2020	$ -
Set-aside balance June 30, 2019	$ -

NOTE 13 - SET-ASIDES - (Continued)

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 $12,901,066 at June 30, 2019.

NOTE 14 - 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.

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 2019, the District paid $347,713 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 15 - 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.

NOTE 15 - INSURANCE POOLS - (Continued)

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.

NOTE 16 - 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, 2019.

B. Litigation

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

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements is not determinable, at this time. Management believes this may result in either additional receipts or disbursements to the District.

NOTE 17 - 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 modified cash basis is outstanding year-end encumbrances that are treated as cash disbursements (budgetary basis) rather than as an assigned fund balance (modified cash basis) and including funds that are budgeted in separate special revenue funds but are considered part of the general fund on a modified cash basis.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Fund Balance at End of Year

	General fund
Modified cash basis	$ 7,546,048
Funds budgeted elsewhere	(77,250)
Adjustment for encumbrances	(620,747)
Budget basis	$ 6,848,051

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a modified cash basis. This includes the uniform school supplies fund, public school support fund and underground storage tank fund.

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Buck Township entered into a tax abatement agreement with Robinson Fin Machines for the abatement of property taxes to bring jobs and economic development into the Township. The agreement affects the property tax receipts collected and distributed to the District. Under the agreement, the District property taxes were reduced by $4,159 during fiscal year 2019.

The City of Kenton entered into a tax abatement agreement with International Paper for the abatement of property taxes to bring jobs and economic development into the City. The agreement affects the property tax receipts collected and distributed to the District. Under the agreement, the District property taxes were reduced by $75,502 during fiscal year 2019.

KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019
(Prepared by Management)

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
Cash Assistance			
National School Lunch Program	10.555	3L60	$ 462,087
National School Breakfast Program	10.553	3L70	235,453
Summer Food Services Program for Children	10.559	3L60	21,096
Non-Cash Assistance			
National School Lunch Program - See Note F	10.555	3L60	53,159
Total U.S. Department of Agriculture			**771,795**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Title I, Part A:			
Title I Grants to LEA FY18	84.010	3M00	97,730
Title I Grants to LEA FY19	84.010	3M00	485,159
Total Title I			582,889
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	3M20	410,137
Special Education - Preschool Grants (IDEA Preschool)	84.173	3C50	15,956
Total IDEA Part B Special Education Cluster			426,093
Rural Education FY19	84.358	3Y80	27,186
Total Rural Education			27,186
Improving Teacher Quality State Grants FY18	84.367	3Y60	1,865
Improving Teacher Quality State Grants FY19	84.367	3Y60	42,536
Total Improving Teacher Quality			44,401
After School Learning Centers (21st Century) Subsidy FY18	84.287	n/a	49,399
Total 21st Century			49,399
Student Support and Academic Enrichment Program FY18	84.424	N/A	595
Student Support and Academic Enrichment Program FY19	84.424	N/A	28,500
Total Student Support and Academic Enrichment Program			29,095
Total U.S. Department of Education			**1,159,063**
Total Expenditures of Federal Awards			**$ 1,930,858**

The accompanying notes are an integral part of this schedule.

KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019
(Prepared by Management)

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Kenton City School District (the District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2019 to 2020 programs:

Program Title	CFDA Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	$ 6,450
Special Education - Grants to States	84.027	5,242
Special Education - Preschool Grants	84.173	767
Rural Education	84.358	4,346
Improving Tearcher Quality State Grants	84.367	11
Title IV-A Student Support	84.424	4,001

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614 W Superior Ave Ste 1242
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Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kenton City School District, Hardin County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2019, wherein we noted that District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards,* which is described in the accompanying Schedule of Findings as item 2019-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 9, 2019.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Charles E Harris & Associates

Charles E. Harris & Associates, Inc.
December 9, 2019

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Kenton City School District, Hardin County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Kenton City School District, Hardin County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect its major federal programs, to determine our auditing procedures appropriate for opining on its major federal programs' compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
December 9, 2019

KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Child Nutrition Cluster: CFDA # 10.553, 10.555 and 10.559 Title VIB: Rural Education – CFDA # 84.358
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	No

SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019

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

FINDING NUMBER 2019-001: Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2019. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The Board of Education should review the standards and ensure preparation of its financial statements in accordance with AICPA's Audit and Accounting Guide Audits of State and Local Governments. The Board of Education should ensure the financial statements are prepared in accordance with the Ohio Administrative Code and the Ohio Revised Code. Implementation of these procedures would help ensure accurate and timely financial statements are available to the District's community.

Official's Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None

KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2019
(Prepared by Management)

Finding Number	Finding Summary	Status	Additional Information
2018-001	**Noncompliance Finding – Ohio Rev. Code § 117.38** – The financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America.	Not corrected	See Corrective Action Plan

KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY

CORRECTIVE ACTION PLAN
2 CFR 200.511(c)
JUNE 30, 2019
(Prepared by Management)

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	GAAP statements have not been filed since the Board agreed with the Treasurer to suspend such preparation due to its high cost and limited usage. It is not anticipated that GAAP Statements will be filed in the future.	N/A	Tracy Hiller, Treasurer

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OHIO AUDITOR OF STATE
KEITH FABER

KENTON CITY SCHOOL DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 3, 2020