



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2014
Fiscal Year Audited Under GAGAS: 2014



Dave Yost • Auditor of State

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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2013 through June 30, 2014. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State
April 14, 2015

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**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board of Education
Kenton City School District
222 West Carrol Street
Kenton, Ohio 43326

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kenton City School District, Hardin County, Ohio (the District), as of and for the year ended June 30, 2014, 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 cash accounting basis Note 2 describes. This responsibility includes determining that the 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 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kenton City School District, Hardin County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the 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, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and 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 15, 2014, 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
December 15, 2014

Kenton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Kenton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2014 are as follows:

In total net position decreased by \$7,282,630 or 33 percent. The majority of this decrease is related to resources spent for facilities construction.

Using the Basic Financial Statements

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

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net position and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Kenton City School District, the General Fund and the Building and Ohio School Facilities Commission capital projects funds are the most significant funds.

Kenton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School 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. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Building and Ohio School Facilities capital projects funds.

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

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

Kenton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013:

Table 1
Net Position

	Governmental Activities		
	2014	2013	Change
<u>Assets:</u>			
Assets	\$14,621,757	\$21,904,387	(\$7,282,630)
<u>Net Position:</u>			
Restricted	\$8,831,382	\$17,540,138	(\$8,708,756)
Unrestricted	5,790,375	4,364,249	1,426,126
Total Net Position	\$14,621,757	\$21,904,387	(\$7,282,630)

Total net position decreased 33 percent from the prior fiscal year. The decrease in restricted net position is due to resources spent for facilities construction. The increase in unrestricted net position is generally due to an increase in State foundation resources resulting from a change in the funding formula.

Table 2 reflects the change in net position for fiscal year 2014 and 2013.

Table 2
Change in Net Position

	Governmental Activities		
	2014	2013	Change
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$1,722,890	\$1,593,369	\$129,521
Operating Grants and Contributions	3,444,701	3,006,526	438,175
Capital Grants and Contributions	0	20,000	(20,000)
Total Program Receipts	5,167,591	4,619,895	547,696
General Receipts			
Property Taxes	4,650,944	4,606,070	44,874
Income Taxes	2,926,740	2,813,974	112,766
Grants and Entitlements	19,044,664	13,239,135	5,805,529
Interest	37,929	20,700	17,229
Gifts and Donations	19,863	6,188	13,675
Miscellaneous	914,004	192,976	721,028
Sale of Capital Assets	31,415	3,500	27,915
Total General Receipts	27,625,559	20,882,543	6,743,016
Total Receipts	32,793,150	25,502,438	7,290,712

(continued)

Kenton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		
	2014	2013	Change
<u>Disbursements:</u>			
Instruction:			
Regular	\$9,243,711	\$8,822,392	(\$421,319)
Special	3,269,870	2,596,484	(673,386)
Vocational	188,562	169,859	(18,703)
Support Services:			
Pupils	493,730	438,057	(55,673)
Instructional Staff	524,916	1,051,112	526,196
Board of Education	36,840	21,543	(15,297)
Administration	1,631,282	1,688,200	56,918
Fiscal	482,685	458,950	(23,735)
Operation and Maintenance of Plant	1,593,456	1,518,928	(74,528)
Pupil Transportation	865,465	815,197	(50,268)
Central	5,225	60,314	55,089
Non-Instructional Services	952,395	860,949	(91,446)
Extracurricular Activities	728,869	640,970	(87,899)
Capital Outlay	19,276,693	1,000,398	(18,276,295)
Principal Retirement	345,000	510,000	165,000
Interest and Fiscal Charges	437,081	491,956	54,875
Total Disbursements	<u>40,075,780</u>	<u>21,145,309</u>	<u>(18,930,471)</u>
Increase (Decrease) in Net Position	(7,282,630)	4,357,129	(11,639,759)
Net Position at Beginning of Year	<u>21,904,387</u>	<u>17,547,258</u>	<u>4,357,129</u>
Net Position at End of Year	<u>\$14,621,757</u>	<u>\$21,904,387</u>	<u>(\$7,282,630)</u>

There was a 12 percent increase in program receipts from the prior fiscal year, primarily due to an increase in operating grants and contributions resulting from additional State foundation resources as well as several grant programs. There was a substantial increase in general receipts due to Ohio School Facilities Commission resources for facilities construction, additional State foundation resources resulting from the funding formula change, and an insurance reimbursement for storm damage.

There was a 90 percent increase in disbursements for fiscal year 2014, again, much of this construction related activities (note the capital outlay disbursements). Also, note the increase in the regular and special instruction programs as well as the decrease in the instructional staff program. This is the result of the reclassification of staff being paid from those programs.

Kenton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$9,243,711	\$8,822,392	\$7,695,448	\$7,350,416
Special	3,269,870	2,596,484	1,006,352	733,566
Vocational	188,562	169,859	160,115	131,803
Support Services:				
Pupils	493,730	438,057	488,440	438,057
Instructional Staff	524,916	1,051,112	524,916	1,051,112
Board of Education	36,840	21,543	36,840	21,543
Administration	1,631,282	1,688,200	1,631,282	1,688,200
Fiscal	482,685	458,950	423,027	447,880
Operation and Maintenance of Plant	1,593,456	1,518,928	1,593,456	1,498,928
Pupil Transportation	865,465	815,197	804,586	762,530
Central	5,225	60,314	(5,575)	60,314
Non-Instructional Services	952,395	860,949	18,654	(93,218)
Extracurricular Activities	728,869	640,970	471,874	431,929
Capital Outlay	19,276,693	1,000,398	19,276,693	1,000,398
Principal Retirement	345,000	510,000	345,000	510,000
Interest and Fiscal Charges	437,081	491,956	437,081	491,956
Total Disbursements	<u>\$40,075,780</u>	<u>\$21,145,309</u>	<u>\$34,908,189</u>	<u>\$16,525,414</u>

A review of the above table demonstrates that only a very few of the School District's programs receive notable support through program receipts. The special instruction program receives a number of grants restricted for special education purposes. The non-instructional services program, which represents the cafeteria, receives program receipts from lunch sales and federal subsidies for food service operations. Extracurricular activities costs are largely paid for through admission charges for athletic events as well as from music and drama productions.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund and the Building and Ohio School Facilities capital projects funds are the School District's major funds. Fund balance increased 33 percent from the prior fiscal year in the General Fund. Receipts increased 6 percent primarily due to the increase in State foundation resources as discussed previously. Disbursements increased 4 percent, much of this related to scheduled salary related increases.

Fund balance in the Building and Ohio School Facilities Commission capital projects funds decreased because monies were spent on facilities construction.

Kenton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

General Fund Budgeting Highlights

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

For receipts, there were no changes from the original budget to the final budget and changes from the final budget to actual receipts were not significant. For disbursements, changes from the original budget to the final budget as well as from the final budget to actual disbursements were not significant.

Debt Administration

At June 30, 2014, the School District's long-term debt consisted of general obligation bonds, in the amount of \$12,942,932. For further information regarding the School District's long-term obligations, refer to Note 13 to the basic financial statements.

Current Issues

The Kenton City School District is in a state of uncertain economic times as are all government bodies and school districts across the State. The School District has seen a stabilization in open enrollment, the number of students leaving the School District is less than or equal to the number of students choosing to be educated at Kenton City Schools. The School District has also offered additional educational options through the Kenton Online Learning Academy. This will all benefit our community and the financial stability of our School District.

The School District has completed construction on the new elementary school on land north of the current high school. The School District participated in the Ohio Facilities Construction Commission program in which the State contributed 65 percent of the cost of eligible expenditures of the new facility and the local share being 35 percent of the cost plus any additional needs requested. This is allowing the School District to consolidate all of the students in grades prekindergarten through 6th grade in one central location and be more efficient in its operations. The School District's two largest elementary buildings currently were built in the 1930's and are in much need of major repair. As part of the project, these two structures are projected to be demolished in early 2015. The School District is in the process of selling two other buildings. The community has taken advantage of this tremendous financial support from the State and anticipates cost efficiencies being realized by the School District in the 2014-2015 school year.

The School District is very concerned about the State's reimbursement of tangible property tax, which eliminated the collection of the tax on the business sector due to the passage of House Bill 66 in prior years. The State thus far has reimbursed schools at a rate of 100 percent of the loss of those tax dollars through fiscal year 2011. Starting in fiscal year 2012, however, this reimbursement was reviewed and reductions were made which had a negative effect on the School District's revenue. The Kenton City School District has restructured and entered into shared service agreements with other schools to continue to cut operating costs. These cost saving measures have put the School District in a strong financial position for the upcoming years. We will continue to restructure spending and such shared service agreements with neighboring school districts in the future. We have been fortunate with some of the changes in the State funding formula in fiscal year 2014 and 2015. We have seen significant increases in State funding which will allow the School District to not seek renewal of a half percent income tax levy.

Kenton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Contacting the School District's Financial Management

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

Kenton City School District
Statement of Net Position - Cash Basis
June 30, 2014

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$14,190,358
Cash and Cash Equivalents with Escrow Agents	431,399
Total Assets	\$14,621,757
 <u>Net Position:</u>	
Restricted for:	
Capital Projects	\$7,669,354
Debt Service	326,145
Other Purposes	835,883
Unrestricted	5,790,375
Total Net Position	\$14,621,757

See Accompanying Notes to Basic Financial Statements

Kenton City School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014

	Program Cash Receipts		
Cash Disbursements	Charges for Services	Operating Grants and Contributions	
<u>Governmental Activities:</u>			
Instruction:			
Regular	\$9,243,711	\$990,472	\$557,791
Special	3,269,870	148,577	2,114,941
Vocational	188,562	0	28,447
Support Services:			
Pupils	493,730	0	5,290
Instructional Staff	524,916	0	0
Board of Education	36,840	0	0
Administration	1,631,282	0	0
Fiscal	482,685	59,658	0
Operation and Maintenance of Plant	1,593,456	0	0
Pupil Transportation	865,465	11,195	49,684
Central	5,225	0	10,800
Non-Instructional Services	952,395	280,129	653,612
Extracurricular Activities	728,869	232,859	24,136
Capital Outlay	19,276,693	0	0
Debt Service:			
Principal Retirement	345,000	0	0
Interest and Fiscal Charges	437,081	0	0
Total Governmental Activities	<u>\$40,075,780</u>	<u>\$1,722,890</u>	<u>\$3,444,701</u>

General Receipts:

Property Taxes Levied for General Purposes
Property Taxes Levied for Classroom Facilities Purposes
Property Taxes Levied for Debt Service
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Interest
Gifts and Donations
Miscellaneous
Sale of Capital Assets

Total General Receipts

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See Accompanying Notes to Basic Financial Statements

Net (Disbursement)
Receipt and Change
in Net Position

Governmental
Activities

(\$7,695,448)
(1,006,352)
(160,115)

(488,440)
(524,916)
(36,840)
(1,631,282)
(423,027)
(1,593,456)
(804,586)
5,575
(18,654)
(471,874)
(19,276,693)

(345,000)
(437,081)

(34,908,189)

3,849,078
83,820
718,046
2,926,740
19,044,664
37,929
19,863
914,004
31,415

27,625,559

(7,282,630)

21,904,387

\$14,621,757

Kenton City School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2014

	General	Building	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$5,495,105	\$2,173,759	\$5,064,196	\$1,457,298	\$14,190,358
<u>Restricted Assets:</u>					
Cash and Cash Equivalents with Escrow Agents	0	0	431,399	0	431,399
Total Assets	<u>\$5,495,105</u>	<u>\$2,173,759</u>	<u>\$5,495,595</u>	<u>\$1,457,298</u>	<u>\$14,621,757</u>
<u>Fund Balances:</u>					
Restricted	\$0	\$2,173,759	\$5,495,595	\$1,162,028	\$8,831,382
Assigned	274,267	0	0	296,821	571,088
Unassigned (Deficit)	<u>5,220,838</u>	<u>0</u>	<u>0</u>	<u>(1,551)</u>	<u>5,219,287</u>
Total Fund Balances	<u>\$5,495,105</u>	<u>\$2,173,759</u>	<u>\$5,495,595</u>	<u>\$1,457,298</u>	<u>\$14,621,757</u>

See Accompanying Notes to Basic Financial Statements

Kenton City School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Building	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Receipts:</u>					
Property Taxes	\$3,849,078	\$0	\$0	\$801,866	\$4,650,944
Income Taxes	2,926,740	0	0	0	2,926,740
Intergovernmental	10,404,828	0	9,806,312	2,228,975	22,440,115
Interest	10,446	10,015	17,468	0	37,929
Tuition and Fees	1,150,244	0	0	0	1,150,244
Extracurricular Activities	0	0	0	232,859	232,859
Charges for Services	59,658	0	0	280,129	339,787
Gifts and Donations	1,163	18,700	0	48,518	68,381
Miscellaneous	314,004	0	600,000	732	914,736
Total Receipts	18,716,161	28,715	10,423,780	3,593,079	32,761,735
<u>Disbursements:</u>					
<u>Current:</u>					
<u>Instruction:</u>					
Regular	8,987,934	0	0	255,777	9,243,711
Special	2,384,324	0	0	885,546	3,269,870
Vocational	188,562	0	0	0	188,562
<u>Support Services:</u>					
Pupils	493,713	0	0	17	493,730
Instructional Staff	326,897	0	0	198,019	524,916
Board of Education	36,840	0	0	0	36,840
Administration	1,621,609	0	0	9,673	1,631,282
Fiscal	463,929	0	0	18,756	482,685
Operation and Maintenance of Plant	1,548,568	0	0	44,888	1,593,456
Pupil Transportation	865,465	0	0	0	865,465
Central	5,225	0	0	0	5,225
Non-Instructional Services	0	0	0	952,395	952,395
Extracurricular Activities	416,839	0	0	312,030	728,869
Capital Outlay	0	2,032,339	17,244,354	0	19,276,693
<u>Debt Service:</u>					
Principal Retirement	0	0	0	345,000	345,000
Interest and Fiscal Charges	0	0	0	437,081	437,081
Total Disbursements	17,339,905	2,032,339	17,244,354	3,459,182	40,075,780
Excess of Receipts Over (Under) Disbursements	1,376,256	(2,003,624)	(6,820,574)	133,897	(7,314,045)
<u>Other Financing Source:</u>					
Sale of Capital Assets	2,000	0	29,415	0	31,415
Changes in Fund Balances	1,378,256	(2,003,624)	(6,791,159)	133,897	(7,282,630)
Fund Balances at Beginning of Year	4,116,849	4,177,383	12,286,754	1,323,401	21,904,387
Fund Balances at End of Year	\$5,495,105	\$2,173,759	\$5,495,595	\$1,457,298	\$14,621,757

See Accompanying Notes to Basic Financial Statements

Kenton City School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Receipts:</u>				
Property Taxes	\$3,848,435	\$3,848,435	3,849,078	\$643
Income Taxes	2,925,974	2,925,974	2,926,740	766
Intergovernmental	10,379,979	10,379,979	10,404,828	24,849
Interest	10,162	10,162	10,446	284
Tuition and Fees	1,126,453	1,126,453	1,150,244	23,791
Charges for Services	50,119	50,119	59,658	9,539
Gifts and Donations	3,089	3,089	1,163	(1,926)
Miscellaneous	87,345	87,345	84,046	(3,299)
Total Receipts	18,431,556	18,431,556	18,486,203	54,647
<u>Disbursements:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	9,407,572	9,590,389	9,018,256	572,133
Special	2,489,719	2,485,092	2,425,301	59,791
Vocational	177,253	199,519	198,115	1,404
<u>Support Services:</u>				
Pupils	451,347	505,807	495,712	10,095
Instructional Staff	306,814	347,252	335,421	11,831
Board of Education	46,543	46,209	36,840	9,369
Administration	1,791,636	1,648,130	1,624,697	23,433
Fiscal	467,777	477,274	468,767	8,507
Operation and Maintenance of Plant	1,564,730	1,740,633	1,636,798	103,835
Pupil Transportation	892,402	963,021	880,004	83,017
Central	58,814	5,500	5,225	275
Extracurricular Activities	397,171	426,237	417,425	8,812
Total Disbursements	18,051,778	18,435,063	17,542,561	892,502
Excess of Receipts Over (Under) Disbursements	379,778	(3,507)	943,642	947,149
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	3,600	3,600	2,000	(1,600)
Refund of Prior Year Expenditures	229,790	229,790	229,958	168
Refund of Prior Year Receipts	(2,408)	(32,408)	(31,551)	857
Total Other Financing Sources (Uses)	230,982	200,982	200,407	(575)
Changes in Fund Balance	610,760	197,475	1,144,049	946,574
Fund Balance at Beginning of Year	3,967,798	3,967,798	3,967,798	0
Prior Year Encumbrances Appropriated	149,051	149,051	149,051	0
Fund Balance at End of Year	\$4,727,609	\$4,314,324	\$5,260,898	\$946,574

See Accompanying Notes to Basic Financial Statements

Kenton City School District
Statement of Cash Basis Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$31,397	\$59,508
<u>Liabilities:</u>		
Due to Students	0	\$59,508
<u>Net Position:</u>		
Scholarships	31,208	
Held in Trust for Students	189	
Total Net Position	\$31,397	

See Accompanying Notes to Basic Financial Statements

Kenton City School District
Statement of Cash Basis Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

<u>Additions:</u>	
Gifts and Donations	\$8,223
 <u>Deductions:</u>	
Non-Instructional Services	<u>8,050</u>
Change in Net Position	173
Net Position at Beginning of Year	<u>31,224</u>
Net Position at End of Year	<u><u>\$31,397</u></u>

See Accompanying Notes to Basic Financial Statements

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1888. The School District serves an area of approximately one hundred twelve square miles. It is located in Hardin and Wyandot Counties and includes all of Pleasant Township, portions of Cessna, Dudley, Goshen, Lynn, McDonald, and Taylor Creek Townships, and the City of Kenton. The School District is the 257th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by sixty-three classified employees, one hundred twenty-one certified teaching personnel, and twenty-six administrative employees who provide services to 1,928 students and other community members. The School District currently operates eight instructional/support buildings.

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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Kenton City School District, this includes general operations, food service, and student related activities of the School District.

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

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

Note 2 - Summary of Significant Accounting Policies

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

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Building Fund - The Building Fund accounts for bond proceeds restricted to acquiring or constructing capital facilities.

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

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

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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide services to needy students and college scholarships to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

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

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

D. 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 School District Treasurer.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

E. Cash and Investments

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

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

During fiscal year 2014, investments consisted of federal agency securities. 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 2014 was \$10,446, which includes \$2,343 assigned from other School District funds.

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

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.

F. Restricted Assets

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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 cash basis of accounting used by the School District.

I. Long-Term Obligations

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

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 School 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 School 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.

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

The School 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 3 - Accountability and Compliance

A. Accountability

At June 30, 2014, the following funds had deficit fund balances:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
High Schools That Work	\$151
Race to the Top	1,400

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

B. Compliance

For the fiscal year ended June 30, 2014, the General Fund had expenditures plus encumbrances in excess of appropriations in the fringe benefits object within the extracurricular activities function, in the amount of \$301. The High Schools That Work special revenue fund had expenditures plus encumbrances in excess of appropriations, in the amount of \$78. The Treasurer will monitor budgetary transactions to ensure that expenditures are within amounts appropriated.

Note 4 - 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 (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$234,207.

Note 5 - Deposits and Investments

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

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

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

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

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

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

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Deposits and Investments (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in to possession of an outside party. At fiscal year end, none of the School District's bank balance of \$12,732,399 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2014, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Bank Notes	\$500,207	12/24/14
Federal Home Loan Bank Notes	499,789	9/26/14
Federal Home Loan Bank Notes	899,747	10/10/14
Federal Home Loan Bank Notes	150,601	12/12/14
Federal Home Loan Mortgage Corporation Notes	175,112	9/19/14
Federal Home Loan Mortgage Corporation Notes	250,646	11/25/14
Federal National Mortgage Association Notes	1,375,951	8/28/14
Federal National Mortgage Association Notes	250,499	10/30/14
Total Investments	<u>\$4,102,552</u>	

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Deposits and Investments (continued)

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

The Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes carry a rating of Aaa by Moody's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School 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. All of the School District's investments were protected by eligible securities pledged to and deposited either with a qualified trustee by the financial institution as security for repayment.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Farm Credit Bank	\$500,207	12.19%
Federal Home Loan Bank	1,550,137	37.78
Federal Home Loan Mortgage Corporation	425,758	10.38
Federal National Mortgage Association	1,626,450	39.65

Note 6 - Income Taxes

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. A portion of the tax (1 percent) was effective on January 1, 1996, and is for a continuing period. The remaining .5 percent was effective on January 1, 2011, and is for a five-year period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 7 - Property Taxes

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

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 - Property Taxes (continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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 School District receives property taxes from Hardin and Wyandot Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$150,267,380	74.97%	\$151,154,800	74.93%
Industrial/Commercial	40,867,560	20.39	40,758,100	20.21
Public Utility	9,309,370	4.64	9,812,410	4.86
Total Assessed Value	<u>\$200,444,310</u>	<u>100.00%</u>	<u>\$201,725,310</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.80		\$38.70	

Note 8 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted for the following insurance coverage.

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

Property	\$62,597,322
General Liability	
Per Occurrence	12,000,000
Aggregate	14,000,000
Automobile Liability	12,000,000
Uninsured Motorists	1,000,000

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 - Risk Management (continued)

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 2014, the School District participated in the Schools of Ohio Risk Sharing Authority (SOSRA), an insurance purchasing pool. Each participant enters into an individual agreement with SORSA for insurance coverage and pays annual premiums to SORSA based on the types and limits of coverage and deductibles selected by the participant.

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

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

Note 9 - Contractual Commitments

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2014:

Vendor	Contract Amount	Amount Paid as of 6/30/14	Outstanding Balance
Choice One Engineering	\$51,265	\$35,295	\$15,970
CTL Engineering, Inc.	40,000	10,184	29,816
Elements IV Interiors	23,914	0	23,914
Garmann Miler Architects	100,000	61,863	38,137
Hardin County Engineer	47,486	0	47,486
Mosser Construction, Inc.	2,621,861	430,980	2,190,881
Smoot Elford McDaniel's	225,525	112,979	112,546
Stan and Associates, Inc.	45,000	7,155	37,845
VTF Excavation, LLC	773,699	0	773,699

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 9 - Contractual Commitments (continued)

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$234,207
Building Fund	1,338,887
Ohio School Facilities Commission Fund	1,947,269
Total	<u>\$3,520,363</u>

Note 10 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 - Defined Benefit Pension Plans (continued)

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$878,946 and \$25,477 for the fiscal year ended June 30, 2014, \$993,854 and \$17,889 for the fiscal year ended June 30, 2013, and \$1,018,463 and \$12,452 for the fiscal year ended June 30, 2012. For fiscal year 2014, 81 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$24,068 made by the School District and \$18,910 made by the plan members. In addition, member contributions of \$20,018 were made for fiscal year 2014 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. 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, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare Part B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$279,767, \$279,022, and \$266,854, respectively. For fiscal year 2014, 60 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, all of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$71,422, \$79,626, and \$81,075, respectively. For fiscal year 2014, 81 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current 1 percent allocation to the Health Care Plan effective July 1, 2014.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$38,757 in surcharge.

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

Note 11 - Postemployment Benefits (continued)

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

The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$2,990, \$3,408, and \$11,557, respectively. For fiscal year 2014, 60 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$16,231, \$15,762, and \$15,759, respectively. For fiscal year 2014, 60 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

Note 12 - 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 School District offers medical, dental, vision, and life insurance benefits to most employees through the Hardin County School Employees' Health and Welfare Benefit Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 13 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY 2012 School Facilities Construction and Improvement Bonds					
Serial Bonds 1.5 - 4%	\$8,360,000	\$0	\$345,000	\$8,015,000	\$340,000
Term Bonds 4%	4,705,000	0	0	4,705,000	0
Capital Appreciation Bonds	29,587	0	0	29,587	0
Accretion on Capital Appreciation Bonds	10,415	11,530	0	21,945	0
Premium	316,512	0	8,339	308,173	0
Discount	(140,474)	0	(3,701)	(136,773)	0
Total General Obligation Bonds	\$13,281,040	\$11,530	\$349,638	\$12,942,932	\$340,000

FY 2012 School Facilities Construction and Improvement Bonds - On April 24, 2012, the School 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.

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 13 - Long-Term Obligations (continued)

The bonds maturing on or after December 1, 2022, are subject to redemption at the option of the School District, either in whole or in part, in such order of maturity as the School 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 2014, \$11,530 was accreted for a total bond value of \$51,532 at fiscal year end.

The School District's overall debt margin was \$4,856,909 with an unvoted debt margin of \$192,004 at June 30, 2014.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2014, were as follows:

Fiscal Year Ending June 30,	General Obligation Debt				
	Serial	Term	Capital	Interest	Total
2015	\$340,000	\$0	\$0	\$430,231	\$770,231
2016	355,000	0	0	423,281	778,281
2017	365,000	0	0	416,993	781,993
2018	370,000	0	0	410,556	780,556
2019	375,000	0	0	403,106	778,106
2020-2024	1,710,000	0	29,587	2,151,989	3,891,576
2025-2029	2,320,000	0	0	1,552,575	3,872,575
2030-2034	2,180,000	595,000	0	1,091,966	3,866,966
2035-2039	0	3,355,000	0	496,900	3,851,900
2040	0	755,000	0	15,100	770,100
	<u>\$8,015,000</u>	<u>\$4,705,000</u>	<u>\$29,587</u>	<u>\$7,392,697</u>	<u>\$20,142,284</u>

Note 14 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for equipment and vehicles. Capital lease payments are reflected as operation and maintenance of plant, pupil transportation, and non-instructional services program disbursements for governmental funds. The original amount of the leases was \$368,461. Principal payments in 2014 were \$65,933. The balance at June 30, 2014, was \$109,543.

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 15 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Building	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics and Music	\$0	\$0	\$0	\$81,532	\$81,532
Building Construction	0	2,173,759	5,495,595	0	7,669,354
Debt Retirement	0	0	0	326,145	326,145
Facilities Maintenance	0	0	0	281,835	281,835
Food Service Operations	0	0	0	444,288	444,288
Permanent Improvements	0	0	0	1,698	1,698
Regular Instruction	0	0	0	12,303	12,303
Special Instruction	0	0	0	14,227	14,227
Total Restricted	<u>0</u>	<u>2,173,759</u>	<u>5,495,595</u>	<u>1,162,028</u>	<u>8,831,382</u>
Assigned for:					
Extracurricular Activities	29,646	0	0	0	29,646
Permanent Improvements	0	0	0	296,821	296,821
Underground Storage Tank	11,000	0	0	0	11,000
Unpaid Obligations	233,621	0	0	0	233,621
Total Assigned	<u>274,267</u>	<u>0</u>	<u>0</u>	<u>296,821</u>	<u>571,088</u>
Unassigned (Deficit)	<u>5,220,838</u>	<u>0</u>	<u>0</u>	<u>(1,551)</u>	<u>5,219,287</u>
Total Fund Balance	<u>\$5,495,105</u>	<u>\$2,173,759</u>	<u>\$5,495,595</u>	<u>\$1,457,298</u>	<u>\$14,621,757</u>

Note 16 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. The amount not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance reserve for capital improvements during fiscal year 2014.

Kenton City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Set Asides (continued)

Balance June 30, 2013	\$0
Current Year Set Aside Requirement	322,855
Current Year Offsets	(322,855)
Set Aside Reserve Balance June 30, 2014	<u>\$0</u>

Note 17 - Jointly Governed Organizations

A. Ohio Hi-Point Joint Vocational School

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

B. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2014, the School District paid \$82,444 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 18 - Insurance Pools

A. Schools of Ohio Risk Sharing Authority

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. SORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. 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.

Note 18 - Insurance Pools (continued)

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

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

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

C. Better Business Bureau of Central Ohio Workers' Compensation Group Rating Plan

The School 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 19 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

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

Kenton City School District
Hardin County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 489,031	\$ 130,913	\$ 489,031	\$ 130,913
School Breakfast Program	3L70	10.553	111,735	-	111,735	-
Summer Food Service Program for Children	3L60	10.559	20,227	-	20,227	-
Total Nutrition Cluster			620,993	130,913	620,993	130,913
Total United States Department of Agriculture			620,993	130,913	620,993	130,913
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	563,332	-	528,411	-
Total Title I, Part A Cluster			563,332	-	528,411	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States (IDEA, Part B)	3M20	84.027	391,738	-	387,576	-
Special Education - Preschool Grants (IDEA Preschool)	3C50	84.173	6,853	-	6,853	-
Total Special Education Cluster			398,591	-	394,429	-
Rural Education	3Y80	84.358	42,708	-	41,336	-
Improving Teacher Quality State Grants	3Y60	84.367	103,889	-	99,326	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	292,486	-	264,660	-
Total United States Department of Education			1,401,006	-	1,328,162	-
Total Federal Financial Assistance			<u>\$ 2,021,999</u>	<u>\$ 130,913</u>	<u>\$ 1,949,155</u>	<u>\$ 130,913</u>

See accompanying notes to the schedule of federal awards receipts and expenditures.

**KENTON CITY SCHOOL DISTRICT
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

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

NOTE C – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board of Education
Kenton City School District
222 West Carrol Street
Kenton, Ohio 43326

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 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, 2014, 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 15, 2014, wherein noted the 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response 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 communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
December 15, 2014



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Compliance with Requirements Applicable to The Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education
Kenton City School District
222 West Carrol Street
Kenton, Ohio 43326

Report on Compliance for the Major Federal Program

We have audited the Kenton City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Kenton City School District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Kenton City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

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 a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Worthington, Ohio
December 15, 2014

Kenton City School District
Hardin County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant internal control deficiencies 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 internal control weaknesses 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 Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education – Grants to States (IDEA, Part B); CFDA# 84.027 Special Education – Preschool Grants (IDEA, Preschool); CFDA# 84.173 State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, ARRA; CFDA# 84.395
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Kenton City School District
Hardin County, Ohio

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014

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

FINDING NUMBER 2014-001

Material Noncompliance Citation

Ohio Revised Code § 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 § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Client Response:

District officials do not believe preparing GAAP statements is cost beneficial for the District.

3. FINDINGS FOR FEDERAL AWARDS

None noted

Kenton City School District
Hardin County, Ohio
Schedule of Prior Audit Findings
June 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Material Noncompliance – ORC Section 117.38 requiring the District to report its financial statements in accordance with GAAP	No	Reissued as Item 2014-001

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Dave Yost • Auditor of State

KENTON CITY SCHOOL DISTRICT

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 7, 2015**