



# Balestra, Harr & Scherer, CPAs, Inc.

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

[www.bhscpas.com](http://www.bhscpas.com)

KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013  
Fiscal Year Audited Under GAGAS: 2013





# 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, 2012 through June 30, 2013. 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 cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

February 27, 2014

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**KENTON CITY SCHOOL DISTRICT  
HARDIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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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, 2013, 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, 2013, 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.

***Emphasis of Matter***

As discussed in Note 3A to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

As discussed in Note 3B to the financial statements, during the year ended June 30, 2013, the District ceased to prepare its financial statements in accordance with generally accepted accounting principles and reported on a cash basis of accounting. As discussed in Note 3C to the financial statements, the change in the basis of accounting resulted in a restatement of the fund balances and the District's net position at July 1, 2012.

We did not modify our opinion regarding any of the above matters.

***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 13, 2013, 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.  
Piketon, Ohio  
December 13, 2013

Kenton City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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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, 2013, 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 2013 are as follows:

In total net position increased by \$4,357,129 or 25 percent. The majority of this increase is due to resources received from the Ohio School Facilities Commission to be used for the new facilities construction project.

**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, 2013  
Unaudited

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**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 2013, 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 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, 2013  
Unaudited

**The School District as a Whole**

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012:

Table 1  
Net Position

	Governmental Activities		
	2013	2012	Change
<u>Assets:</u>			
Assets	\$21,904,387	\$17,547,258	\$4,357,129
 <u>Net Position:</u>			
Restricted	17,540,138	14,308,282	3,231,856
Unrestricted	4,364,249	3,238,976	1,125,273
Total Net Position	\$21,904,387	\$17,547,258	\$4,357,129

Total net position increased 25 percent from the prior fiscal year. The increase in restricted net position is due to resources from the Ohio School Facilities Commission related to building construction. The increase in unrestricted net position is generally due to increases in property taxes and income taxes.

Table 2 reflects the change in net position for fiscal year 2013 and 2012.

Table 2  
Change in Net Position

	Governmental Activities		
	2013	2012	Change
<u>Receipts:</u>			
<u>Program Receipts</u>			
Charges for Services	\$1,593,369	\$1,462,652	\$130,717
Operating Grants and Contributions	3,006,526	3,409,740	(403,214)
Capital Grants and Contributions	20,000	12,600	7,400
Total Program Receipts	4,619,895	4,884,992	(265,097)
<u>General Receipts</u>			
Property Taxes	4,606,070	4,133,831	472,239
Income Taxes	2,813,974	2,502,683	311,291
Grants and Entitlements	13,239,135	8,919,736	4,319,399
Interest	20,700	12,390	8,310
Gifts and Donations	6,188	0	6,188
Miscellaneous	192,976	160,206	32,770
Sale of Capital Assets	3,500	0	3,500
Proceeds of General Obligation Bonds	0	13,604,587	(13,604,587)
Premium on Bonds Issued	0	328,839	(328,839)
Total General Receipts	20,882,543	29,662,272	(8,779,729)
Total Receipts	25,502,438	34,547,264	(9,044,826)

(continued)

Kenton City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

Table 2  
Change in Net Position  
(continued)

	Governmental Activities		
	2013	2012	Change
<u>Disbursements:</u>			
Instruction:			
Regular	\$8,822,392	\$9,232,866	\$410,474
Special	2,596,484	2,267,008	(329,476)
Vocational	169,859	181,425	11,566
Support Services:			
Pupils	438,057	533,664	95,607
Instructional Staff	1,051,112	1,337,956	286,844
Board of Education	21,543	30,080	8,537
Administration	1,688,200	1,578,235	(109,965)
Fiscal	458,950	460,719	1,769
Operation and Maintenance of Plant	1,518,928	1,494,480	(24,448)
Pupil Transportation	815,197	742,761	(72,436)
Central	60,314	46,270	(14,044)
Non-Instructional Services	860,949	833,811	(27,138)
Extracurricular Activities	640,970	274,754	(366,216)
Capital Outlay	1,000,398	399,664	(600,734)
Principal Retirement	510,000	0	(510,000)
Interest and Fiscal Charges	491,956	182,481	(309,475)
Discount on Bonds Issued	0	145,945	145,945
Total Disbursements	<u>21,145,309</u>	<u>19,742,119</u>	<u>(1,403,190)</u>
Increase in Net Position	4,357,129	14,805,145	(10,448,016)
Net Position at Beginning of Year	<u>17,547,258</u>	<u>2,742,111</u>	<u>14,805,147</u>
Net Position at End of Year	<u>\$21,904,387</u>	<u>\$17,547,256</u>	<u>\$4,357,131</u>

There was a 5 percent decrease in program receipts from the prior fiscal year, primarily due to a decrease in operating grants and contributions with the expiration of the Education Jobs grant program. There was a substantial decrease in general receipts as the School District received bond proceeds in the prior fiscal year for building construction. However, note the increases in property taxes (due to a full year collection of facilities related tax receipts), income taxes (resulting from continuing economy recovery), and unrestricted grants and entitlements (State resources from the Ohio School Facilities Commission).

There was a 7 percent increase in disbursements for fiscal year 2013, again, much of this construction related activities (note the capital outlay and debt service disbursements are construction related).

Kenton City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
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	
	2013	2012	2013	2012
Instruction:				
Regular	\$8,822,392	\$9,232,866	\$7,350,416	\$7,404,221
Special	2,596,484	2,267,008	733,566	530,838
Vocational	169,859	181,425	131,803	143,369
Support Services:				
Pupils	438,057	533,664	438,057	521,064
Instructional Staff	1,051,112	1,337,956	1,051,112	1,337,956
Board of Education	21,543	30,080	21,543	30,080
Administration	1,688,200	1,578,235	1,688,200	1,578,235
Fiscal	458,950	460,719	447,880	460,719
Operation and Maintenance of Plant	1,518,928	1,494,480	1,498,928	1,494,480
Pupil Transportation	815,197	742,761	762,530	700,850
Central	60,314	46,270	60,314	46,270
Non-Instructional Services	860,949	833,811	(93,218)	(111,997)
Extracurricular Activities	640,970	274,754	431,929	(7,050)
Capital Outlay	1,000,398	399,664	1,000,398	399,664
Principal Retirement	510,000	0	510,000	0
Interest and Fiscal Charges	491,956	182,481	491,956	182,481
Discount on Bonds Issued	0	145,945	0	145,945
Total Disbursements	<u>\$21,145,309</u>	<u>\$19,742,119</u>	<u>\$16,525,414</u>	<u>\$14,857,125</u>

A review of the above table demonstrates that only a very few of the School District's programs receive notable support through program revenues. The non-instructional services program, which represents the cafeteria, receives program revenues 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 over 32 percent from the prior fiscal year in the General Fund. Income tax receipts increased due to an increase in are businesses. There was also an increase in State foundation receipts.

Fund balance in the Building capital projects fund decreased because monies were spent on construction of the new elementary building.

Kenton City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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Fund balance increased in the Ohio School Facilities Commission Fund as grant resources were received but not spent on construction prior to fiscal year end.

**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 both receipts and disbursements, changes from the original budget to the final budget as well as from the final budget to actual receipts and disbursements were not significant.

**Capital Assets and Debt Administration**

Capital Assets - the School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$1,000,398 during fiscal year 2013.

Debt - At June 30, 2013, the School District's long-term debt consisted of general obligation bonds, in the amount of \$13,281,040. 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 begun construction on the new elementary school on land north of the current high school. The School District is participating in the Ohio Facilities Construction Commission program in which the State will contribute 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 will allow the School District to consolidate all of the students in grades prekindergarten through 6<sup>th</sup> 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. The School District anticipates selling two other buildings in the process. 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.

Kenton City School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013  
Unaudited

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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. However, continued reductions in the budget by the State and federal government could be devastating to our School District. We will continue to restructure spending and such shared service agreement with neighboring school districts in the future.

**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, 2013

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$21,904,387</u>
<u>Net Position:</u>	
Restricted for:	
Capital Projects	16,484,137
Debt Service	303,773
Other Purposes	752,228
Unrestricted	<u>4,364,249</u>
Total Net Position	<u>\$21,904,387</u>

See Accompanying Notes to Basic Financial Statements

Kenton City School District  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2013

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$8,822,392	\$941,851	\$530,125	\$0
Special	2,596,484	123,944	1,738,974	0
Vocational	169,859	0	38,056	0
Support Services:				
Pupils	438,057	0	0	0
Instructional Staff	1,051,112	0	0	0
Board of Education	21,543	0	0	0
Administration	1,688,200	0	0	0
Fiscal	458,950	11,070	0	0
Operation and Maintenance of Plant	1,518,928	0	0	20,000
Pupil Transportation	815,197	28,258	24,409	0
Central	60,314	0	0	0
Non-Instructional Services	860,949	294,088	660,079	0
Extracurricular Activities	640,970	194,158	14,883	0
Capital Outlay	1,000,398	0	0	0
Debt Service:				
Principal Retirement	510,000	0	0	0
Interest and Fiscal Charges	491,956	0	0	0
<b>Total Governmental Activities</b>	<b>\$21,145,309</b>	<b>\$1,593,369</b>	<b>\$3,006,526</b>	<b>\$20,000</b>

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 - Restated (Note 3)

Net Position at End of Year

See Accompanying Notes to Basic Financial Statements

Net (Disbursement)  
Receipt and Change  
in Net Position

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Governmental  
Activities

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(\$7,350,416)  
(733,566)  
(131,803)

(438,057)  
(1,051,112)  
(21,543)  
(1,688,200)  
(447,880)  
(1,498,928)  
(762,530)  
(60,314)  
93,218  
(431,929)  
(1,000,398)

(510,000)  
(491,956)

---

(16,525,414)

---

3,782,173  
84,993  
738,904  
2,813,974  
13,239,135  
20,700  
6,188  
192,976  
3,500

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20,882,543

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4,357,129

17,547,258

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\$21,904,387

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Kenton City School District  
Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
June 30, 2013

	General	Building	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$4,116,849	\$4,177,383	\$12,286,754	\$1,323,401	\$21,904,387
<u>Fund Balances:</u>					
Restricted	\$0	\$4,177,383	\$12,286,754	\$1,076,001	\$17,540,138
Assigned	194,426	0	0	301,623	496,049
Unassigned (Deficit)	3,922,423	0	0	(54,223)	3,868,200
Total Fund Balances	\$4,116,849	\$4,177,383	\$12,286,754	\$1,323,401	\$21,904,387

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, 2013

	General	Building	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Receipts:</u>					
Property Taxes	\$3,782,173	\$0	\$0	\$823,897	\$4,606,070
Income Taxes	2,813,974	0	0	0	2,813,974
Intergovernmental	9,765,089	0	4,231,472	2,198,600	16,195,161
Interest	7,705	4,194	8,801	0	20,700
Tuition and Fees	1,059,702	0	0	0	1,059,702
Extracurricular Activities	0	0	0	194,158	194,158
Charges for Services	45,421	0	0	294,088	339,509
Gifts and Donations	6,188	0	0	70,500	76,688
Miscellaneous	186,862	5,127	0	987	192,976
<b>Total Receipts</b>	<b>17,667,114</b>	<b>9,321</b>	<b>4,240,273</b>	<b>3,582,230</b>	<b>25,498,938</b>
<u>Disbursements:</u>					
<u>Current:</u>					
<u>Instruction:</u>					
Regular	8,632,741	0	0	189,651	8,822,392
Special	1,976,900	0	0	619,584	2,596,484
Vocational	169,859	0	0	0	169,859
<u>Support Services:</u>					
Pupils	438,057	0	0	0	438,057
Instructional Staff	534,896	0	0	516,216	1,051,112
Board of Education	21,543	0	0	0	21,543
Administration	1,676,684	0	0	11,516	1,688,200
Fiscal	440,178	0	0	18,772	458,950
Operation and Maintenance of Plant	1,518,928	0	0	0	1,518,928
Pupil Transportation	815,197	0	0	0	815,197
Central	60,314	0	0	0	60,314
Non-Instructional Services	0	0	0	860,949	860,949
Extracurricular Activities	376,846	0	0	264,124	640,970
Capital Outlay	0	136,333	864,065	0	1,000,398
<u>Debt Service:</u>					
Principal Retirement	0	0	0	510,000	510,000
Interest and Fiscal Charges	0	0	0	491,956	491,956
<b>Total Disbursements</b>	<b>16,662,143</b>	<b>136,333</b>	<b>864,065</b>	<b>3,482,768</b>	<b>21,145,309</b>
Excess of Receipts Over (Under) Disbursements	1,004,971	(127,012)	3,376,208	99,462	4,353,629
<u>Other Financing Source:</u>					
Sale of Capital Assets	3,500	0	0	0	3,500
<b>Changes in Fund Balances</b>	<b>1,008,471</b>	<b>(127,012)</b>	<b>3,376,208</b>	<b>99,462</b>	<b>4,357,129</b>
Fund Balances at Beginning of Year - Restated (Note 3)	3,108,378	4,304,395	8,910,546	1,223,939	17,547,258
<b>Fund Balances at End of Year</b>	<b>\$4,116,849</b>	<b>\$4,177,383</b>	<b>\$12,286,754</b>	<b>\$1,323,401</b>	<b>\$21,904,387</b>

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Receipts:</u>				
Property Taxes	\$3,768,558	\$3,771,815	3,782,173	\$10,358
Income Taxes	2,750,000	2,750,000	2,813,974	63,974
Intergovernmental	9,456,675	9,657,776	9,765,089	107,313
Interest	2,300	5,300	7,705	2,405
Tuition and Fees	926,860	1,130,601	1,059,702	(70,899)
Charges for Services	0	45,000	45,421	421
Gifts and Donations	0	3,107	6,188	3,081
Miscellaneous	105,037	95,277	99,072	3,795
<b>Total Receipts</b>	<b>17,009,430</b>	<b>17,458,876</b>	<b>17,579,324</b>	<b>120,448</b>
<u>Disbursements:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	9,328,335	8,828,904	8,659,713	169,191
Special	1,946,278	2,104,353	1,978,528	125,825
Vocational	178,776	180,283	179,046	1,237
<u>Support Services:</u>				
Pupils	530,324	453,626	442,980	10,646
Instructional Staff	610,866	551,474	538,554	12,920
Board of Education	33,812	29,984	21,543	8,441
Administration	1,676,912	1,725,744	1,687,078	38,666
Fiscal	479,193	451,217	440,411	10,806
Operation and Maintenance of Plant	1,676,552	1,759,509	1,603,766	155,743
Pupil Transportation	768,980	855,562	818,372	37,190
Central	65,000	63,000	60,314	2,686
Extracurricular Activities	42,603	402,651	378,481	24,170
<b>Total Disbursements</b>	<b>17,337,631</b>	<b>17,406,307</b>	<b>16,808,786</b>	<b>597,521</b>
Excess of Receipts Over (Under) Disbursements	(328,201)	52,569	770,538	717,969
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	400	400	3,500	3,100
Refund of Prior Year Expenditures	75,000	85,000	87,790	2,790
Refund of Prior Year Receipts	0	(2,500)	(2,408)	92
<b>Total Other Financing Sources (Uses)</b>	<b>75,400</b>	<b>82,900</b>	<b>88,882</b>	<b>5,982</b>
Changes in Fund Balance	(252,801)	135,469	859,420	723,951
Fund Balance at Beginning of Year	2,954,391	2,954,391	2,954,391	0
Prior Year Encumbrances Appropriated	153,987	153,987	153,987	0
<b>Fund Balance at End of Year</b>	<b>\$2,855,577</b>	<b>\$3,243,847</b>	<b>\$3,967,798</b>	<b>\$723,951</b>

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, 2013

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$31,224	\$54,674
<u>Liabilities:</u>		
Due to Students	0	\$54,674
<u>Net Position:</u>		
Scholarships	31,035	
Held in Trust for Students	189	
Total Net Position	\$31,224	

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, 2013

<u>Additions:</u>	
Gifts and Donations	\$10,370
 <u>Deductions:</u>	
Non-Instructional Services	<u>8,510</u>
Change in Net Position	1,860
Net Position at Beginning of Year	<u>29,364</u>
Net Position at End of Year	<u><u>\$31,224</u></u>

See Accompanying Notes to Basic Financial Statements



**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 271<sup>st</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-seven classified employees, one hundred twenty-seven certified teaching personnel, and twenty-four administrative employees who provide services to 1,931 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 insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Kenton City School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in two jointly governed organizations and three insurance pools. These organizations are the Ohio Hi-Point Joint Vocational School, Western Ohio Computer Organization, Schools of Ohio Risk Sharing Authority, Hardin County School Employees’ Health and Welfare Benefit Plan and Trust, and the 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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.

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. 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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.

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 final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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".

During fiscal year 2013, investments consisted of federal agency securities. Investments are reported at fair value, which is based on quoted market price.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 was \$7,705, which includes \$2,091 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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. Capital Assets**

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

**G. 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.

**H. 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.

**I. 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.

**J. 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.

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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such 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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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 - Change in Accounting Principles, Change in Basis of Accounting, and Restatement of Fund Balance/Net Position**

**A. Change in Accounting Principles**

For fiscal year 2013, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements" and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position".

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

The implementation of GASB Statement No. 62 had no effect on the financial statements.

The implementation of GASB Statement No. 63 had no impact on the beginning of the year fund balance/net position but did affect certain current year presentations and disclosures.

**B. Change in Basis of Accounting**

For fiscal year 2013, the School District ceased to prepare its financial statements in accordance with generally accepted accounting principles and reported on the cash basis of accounting as described in Note 2C of the basic financial statements.

Kenton City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

**Note 3 - Change in Accounting Principles, Change in Basis of Accounting, and Restatement of Fund Balance/Net Position** (continued)

**C. Restatement of Fund Balance/Net Position**

The restatement due to the change in the basis of accounting had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Building	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2012	\$2,805,328	\$4,288,168	\$8,792,841	\$1,417,905	\$17,304,242
Eliminate Asset Accruals	(5,101,057)	(2,436)	(17,163,789)	(1,350,781)	(23,618,063)
Eliminate Liability Accruals	5,404,107	18,663	17,281,494	1,156,815	23,861,079
Adjusted Fund Balance at June 30, 2012	<u>\$3,108,378</u>	<u>\$4,304,395</u>	<u>\$8,910,546</u>	<u>\$1,223,939</u>	<u>\$17,547,258</u>

	Governmental Activities
Net Position at June 30, 2012	<u>\$23,002,045</u>
Eliminate Financial Statement Adjustments:	
Accounts Receivable	(13,285)
Accrued Interest Receivable	(50,466)
Intergovernmental Receivable	(17,678,222)
Income Taxes Receivable	(1,107,608)
Prepaid Items	(63,335)
Inventory Held for Resale	(5,662)
Materials and Supplies Inventory	(975)
Property Taxes Receivable	(4,756,811)
Capital Assets	(3,101,933)
Accounts Payable	92,314
Contracts Payable	118,076
Accrued Wages and Benefits Payable	1,654,299
Intergovernmental Payable	472,379
Deferred Revenue	3,907,813
Accrued Interest Payable	99,744
Long-Term Liabilities:	
Due Within One Year	614,319
Due Within More than One Year	14,306,265
Change in Fair Value of Investments	58,301
Adjusted Net Position at June 30, 2012	<u>\$17,547,258</u>

Kenton City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 4 - Accountability**

At June 30, 2012, the following funds had deficit fund balances:

<u>Fund Type/Fund</u>	<u>Deficit</u>
Special Revenue Funds	
Race to the Top	\$29,225
Title VI-B	2,249
Title I	22,608
Title II-A	141

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

**Note 5 - 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 \$149,051.

**Note 6 - 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;



Kenton City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 6 - Deposits and Investments** (continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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 bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$428,912 of the School District's bank balance of \$10,327,949 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.

Kenton City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 6 - Deposits and Investments** (continued)

Investments

As of June 30, 2013, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$735,723	4/23/14
Federal Home Loan Mortgage Corporation Notes	706,302	7/30/14
Federal Home Loan Mortgage Corporation Notes	175,334	9/19/14
Federal Home Loan Mortgage Corporation Notes	251,928	11/25/14
Federal National Mortgage Association Notes	356,247	7/12/13
Federal National Mortgage Association Notes	451,598	9/23/13
Federal National Mortgage Association Notes	1,024,387	2/5/14
Federal National Mortgage Association Notes	780,485	6/27/14
Federal National Mortgage Association Notes	775,166	8/28/14
Federal National Mortgage Association Notes	251,430	10/30/14
Federal National Mortgage Association Bonds	351,427	10/8/13
Federal Home Loan Bank Notes	401,134	8/28/13
Federal Home Loan Bank Notes	900,315	11/27/13
Federal Home Loan Bank Notes	962,681	12/27/13
Federal Home Loan Bank Notes	1,000,456	1/29/14
Federal Home Loan Bank Notes	867,066	3/14/14
Federal Home Loan Bank Notes	784,843	5/23/14
Federal Home Loan Bank Notes	151,800	12/12/14
Federal Home Loan Bank Bonds	999,277	12/27/13
Total Investments	<u>\$11,927,599</u>	

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

The Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes and Bonds, and the Federal Home Loan Bank Notes and Bonds 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.

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 Home Loan Mortgage Corporation	\$1,869,287	15.67%
Federal National Mortgage Association	3,990,740	33.46
Federal Home Loan Bank	6,067,572	50.87

Kenton City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 7 - 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 8 - Property Taxes**

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

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 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$150,047,360	75.04%	\$150,267,380	74.97%
Industrial/Commercial	41,101,220	20.56	40,867,560	20.39
Public Utility	8,807,240	4.40	9,309,370	4.64
Total Assessed Value	<u>\$199,955,820</u>	<u>100.00%</u>	<u>\$200,444,310</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.05		\$38.80	

**Note 9 - 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 2013, the School District contracted for the following insurance coverage.

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

Property	\$61,274,401
General Liability	
Per Occurrence	12,000,000
Aggregate	14,000,000
Automobile Liability	12,000,000
Uninsured Motorists	1,000,000

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

For fiscal year 2013, 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 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](http://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 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 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.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$993,854 and \$17,889 for the fiscal year ended June 30, 2013, \$1,018,463 and \$12,452 for the fiscal year ended June 30, 2012, and \$1,041,552 and \$7,803 for the fiscal year ended June 30, 2011. For fiscal year 2013, 83 percent has been contributed for both the DBP and the CP. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 was \$23,392 made by the School District and \$16,709 made by the plan members. In addition, member contributions of \$12,778 were made for fiscal year 2013 for the defined contribution portion of the CP.

**Note 10 - Defined Benefit Pension Plans** (continued)

**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](http://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, 2013, 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, 2013, 2012, and 2011 was \$279,022, \$266,854, and \$241,769, respectively. For fiscal year 2013, 51 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**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, 2013, 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](http://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 2013, 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, 2013, 2012, and 2011 was \$79,626, \$81,075, and \$82,147, respectively. For fiscal year 2013, 83 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**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](http://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 2013, .16 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 2013, this amount was \$20,525. For fiscal year 2013, the School District paid \$36,912 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)

The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$3,408, \$11,557, and \$29,274, respectively. For fiscal year 2013, 51 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

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 2013, this actuarially required allocation was .74 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$15,762, \$15,759, and \$15,558, respectively. For fiscal year 2013, 51 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

**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, 2013

**Note 13 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
FY 2012 School Facilities Construction and Improvement Bonds					
Serial Bonds 1.5 - 4%	\$8,870,000	\$0	\$510,000	\$8,360,000	\$345,000
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	1,465	8,950	0	10,415	0
Premium	328,839	0	12,327	316,512	0
Discount	(145,945)	0	(5,471)	(140,474)	0
<b>Total General Obligation Bonds</b>	<b>13,788,946</b>	<b>8,950</b>	<b>516,856</b>	<b>13,281,040</b>	<b>345,000</b>

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.

As of June 30, 2013, the School District had unspent bond proceeds, in the amount of \$11,694,525.

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

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

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

The bonds maturing on or after December 1, 2022, are subject to redemption at the option of the 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.

Kenton City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**Note 13 - Long-Term Obligations** (continued)

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 2013, \$8,950 was accreted for a total bond value of \$40,002 at fiscal year end.

The School District's overall debt margin was \$4,411,331 with an unvoted debt margin of \$191,135 at June 30, 2013.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013, were as follows:

Fiscal Year Ending June 30,	General Obligation Debt				
	Serial	Term	Capital	Interest	Total
2014	\$345,000	\$0	\$0	\$437,081	\$782,081
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
2019-2023	1,665,000	0	29,587	2,200,651	3,895,238
2024-2028	2,245,000	0	0	1,630,488	3,875,488
2029-2033	2,675,000	0	0	1,192,197	3,867,197
2034-2038	0	3,225,000	0	628,500	3,853,500
2039-2040	0	1,480,000	0	59,800	1,539,800
	<u>\$8,360,000</u>	<u>\$4,705,000</u>	<u>\$29,587</u>	<u>\$7,829,778</u>	<u>\$20,924,365</u>

**Note 14 - Capital Leases - Lessee Disclosure**

The School District has entered into capitalized leases for vehicles. Capital lease payments are reflected as transportation program disbursements for governmental funds. The original amount of the leases was \$302,626. Principal payments in 2013 were \$91,865. The balance at June 30, 2013, was \$109,641.

Kenton City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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	\$117,645	\$117,645
Building Construction	0	4,177,383	12,286,754	0	16,464,137
Debt Retirement	0	0	0	303,773	303,773
Facilities Maintenance	0	0	0	150,027	150,027
Food Service Operations	0	0	0	481,270	481,270
Permanent Improvements	0	0	0	21,698	21,698
Regular Instruction	0	0	0	1,588	1,588
<b>Total Restricted</b>	<b>0</b>	<b>4,177,383</b>	<b>12,286,754</b>	<b>1,076,001</b>	<b>17,540,138</b>
Assigned for:					
Extracurricular Activities	36,010	0	0	0	36,010
Permanent Improvements	0	0	0	301,623	301,623
Underground Storage Tank	11,000	0	0	0	11,000
Unpaid Obligations	147,416	0	0	0	147,416
<b>Total Assigned</b>	<b>194,426</b>	<b>0</b>	<b>0</b>	<b>301,623</b>	<b>496,049</b>
Unassigned (Deficit)	3,922,423	0	0	(54,223)	3,868,200
<b>Total Fund Balance</b>	<b>\$4,116,849</b>	<b>\$4,177,383</b>	<b>\$12,286,754</b>	<b>\$1,323,401</b>	<b>\$21,904,387</b>

Kenton City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013

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**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 2013.

Balance June 30, 2012	\$0
Current Year Set Aside Requirement	317,764
Current Year Offsets	(317,764)
Set Aside Reserve Balance June 30, 2013	<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 2013, the School District paid \$78,288 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.

**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, 2013.

**Note 19 - Contingencies** (continued)

**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, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 484,504	\$ 99,178	\$ 484,504	\$ 99,178
School Breakfast Program	3L70	10.553	114,097	-	114,097	-
Summer Food Service Program for Children	3L60	10.559	16,795	-	16,795	-
Total Nutrition Cluster			615,396	99,178	615,396	99,178
<b>Total United States Department of Agriculture</b>			615,396	99,178	615,396	99,178
<b>United States Department of Education</b>						
<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	579,245	-	549,567	-
Total Title I, Part A Cluster			579,245	-	549,567	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States (IDEA, Part B)	3M20	84.027	435,863	-	394,869	-
Special Education - Preschool Grants (IDEA Preschool)	3C50	84.173	11,565	-	10,587	-
Total Special Education Cluster			447,428	-	405,456	-
<i>Education Technology State Grants Cluster:</i>						
Education Technology State Grants	3S20	84.318	4,768	-	4,768	-
Total Education Technology State Grants Cluster			4,768	-	4,768	-
Rural Education	3Y80	84.358	20,375	-	19,492	-
Improving Teacher Quality State Grants	3Y60	84.367	123,167	-	107,037	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	231,465	-	241,330	-
Education Jobs Fund	3ET0	84.410	35,843	-	-	-
<b>Total United States Department of Education</b>			1,442,291	-	1,327,650	-
<b>Total Federal Financial Assistance</b>			\$ 2,057,687	\$ 99,178	\$ 1,943,046	\$ 99,178

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, 2013**

**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.





# Balestra, Harr & Scherer, CPAs, Inc.

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

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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, 2013, 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 13, 2013, wherein noted the District uses a special purpose framework other than generally accepted accounting principles and wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 63.

### *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 2013-001.

### ***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.  
Piketon, Ohio  
December 13, 2013



# Balestra, Harr & Scherer, CPAs, Inc.

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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, 2013. 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, 2013.

***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.  
Piketon, Ohio  
December 13, 2013

**Kenton City School District**  
*Hardin County, Ohio*

*Schedule of Findings*  
*OMB Circular A-133 Section §.505*  
*June 30, 2013*

**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):	Title I, Part A Cluster:  Title I Grants to Local Educational Agencies; CFDA# 84.010
(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, 2013*

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

**FINDING NUMBER 2013-001**

**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.

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**3. FINDINGS FOR FEDERAL AWARDS**

**None noted**



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### Independent Auditor's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Kenton City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 29, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board, and is not intended to be and should not be used by anyone other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 13, 2013

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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  
MARCH 13, 2014**