

CITY OF KENTON

HARDIN COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2017





Dave Yost • Auditor of State

City Council
City of Kenton
111 W. Franklin Strret
Kenton, Ohio 43326

We have reviewed the *Independent Auditor's Report* of the City of Kenton, Hardin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2017 through December 31, 2017. 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 City of Kenton is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

September 14, 2018

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CITY OF KENTON
HARDIN COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

City of Kenton
Hardin County
111 W Franklin Street
Kenton, Ohio 43326

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenton, Hardin County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenton, Hardin County, Ohio, as of December 31, 2017, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

Ohio Administrative Code § 117-2-03(B) requires the City 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 of accounting applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplemental Information

Our audit was conducted to provide an opinion on the financial statements taken as a whole. The City presents budgetary comparison schedules for the General and Street funds. These Schedules provide additional analysis and are not a required part of the basic financial statements.

The Schedules 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 the Schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedules 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 Schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

The management's discussion and analysis as listed in the table of content, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018, on our consideration of the City'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 City's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
June 7, 2018

**CITY OF KENTON
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED**

This discussion and analysis of the City of Kenton's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017, within the limitations of the City's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

Highlights

Key highlights for 2017 are as follows:

- The net position of governmental activities increased \$27,919 or 1.9 percent.
- The general fund balance increased by \$148,747 and the street fund balance decreased by \$60,718, while the other governmental funds decreased \$60,110.
- The City's general receipts for the governmental funds are primarily property and income taxes. These receipts represent respectively 6.6 and 57.1 percent of the total cash received for governmental activities during the year.
- Income tax receipts for 2017 were 4.1 percent less than 2016.
- Net position of the City's business-type activities decreased \$40,782.

Using the Basic Financial Statements

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

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the City as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the City as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**CITY OF KENTON
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The City has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the City's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related receipts (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.

Reporting the City as a Whole

The statement of net position and the statement of activities reflect how the City did financially during 2017, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the City at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. 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 or business-type activity draws from the City's general receipts.

These statements report the City's cash position and the changes in cash position. Keeping in mind limitations of the cash basis of accounting, you can think of these changes as one way to measure the City's financial health. Over time, increases or decreases in the City's cash position is one indicator of whether the City's financial health is improving or deteriorating. When evaluating the City's financial position, you should also consider other nonfinancial factors as well such as the City's property tax base, the condition of the City's capital assets and infrastructure, the extent of the City's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipts sources such as property and income taxes.

**CITY OF KENTON
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

In the statement of net position and the statement of activities, we divide the City into two types of activities:

Governmental activities – Most of the City's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities – The City has two business-type activities, the provision of water and sewerage treatment. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the City's Most Significant Funds

Fund financial statements provide detailed information about the City's major funds – not the City as a whole. The City establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the City are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds – Most of the City's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the City's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the City's programs. The City's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The City's major governmental funds are the general fund and the street fund.

Proprietary Funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds.

When the services are provided to the general public, the activity is reported as an enterprise fund. The City has three enterprise funds – the water fund, sewer fund and downtown revitalization.

**CITY OF KENTON
HARDIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the City’s programs. The City’s only fiduciary funds are agency funds.

The City as a Whole

The table below provides a summary of the City’s net position for 2017 compared to 2016 on a cash basis.

Net Position

	Governmental Activities		Business-type Activities		TOTALS	
	2017	2016	2017	2016	2017	2016
ASSETS						
Cash	\$ 1,469,101	\$ 1,441,182	\$ 1,561,253	\$ 1,602,035	\$ 3,030,354	\$ 3,043,217
NET POSITION						
Restricted:						
Pension Obligations	19,056	17,748	-	-	19,056	17,748
Revolving Loans	23,083	37,669	-	-	23,083	37,669
Customer Deposits	-	-	118,344	117,856	118,344	117,856
Other Purposes	430,543	584,749	-	-	430,543	584,749
Unrestricted	996,419	801,016	1,442,909	1,484,179	2,439,328	2,285,195
Total Net Position	\$ 1,469,101	\$ 1,441,182	\$ 1,561,253	\$ 1,602,035	\$ 3,030,354	\$ 3,043,217

As mentioned previously, net position of governmental activities increased \$27,919 or 1.9 percent during 2017 and net position of business-type activities decreased \$40,782. The primary reasons contributing to the changes in cash balances are as follows:

- **Governmental Activities:** Total cash receipts in the governmental funds exceeded cash disbursements in 2017.
- **Business-Type:** Sewer fund experienced an increase in cash disbursements for contract services, materials and supplies as well as an increase in principal retirement as compared to 2016.

The next table reflects the changes in net position on cash basis in 2017 and 2016 for governmental activities, business-type activities and total primary government.

**CITY OF KENTON
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

**UNAUDITED
(Continued)**

Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Receipts:						
Program Receipts:						
Charges for Services	\$ 535,782	\$ 433,946	\$ 3,480,726	\$ 3,524,630	\$ 4,016,508	\$ 3,958,576
Operating Grants & Contributions	395,024	356,402	-	-	395,024	356,402
Capital Grants & Contributions	902,869	328,735	-	-	902,869	328,735
Total Program Receipts	<u>1,833,675</u>	<u>1,119,083</u>	<u>3,480,726</u>	<u>3,524,630</u>	<u>5,314,401</u>	<u>4,643,713</u>
General Receipts:						
Property Taxes	375,047	375,339	-	-	375,047	375,339
Income Taxes	3,275,173	3,414,950	-	-	3,275,173	3,414,950
Hotel/Motel Taxes	21,392	13,299	-	-	21,392	13,299
Grants and Contributions Not Restricted to Specific Programs	158,430	654,716	-	-	158,430	654,716
Interest Income	17,585	11,723	-	-	17,585	11,723
Debt Proceeds	-	185,537	44,722	370,962	44,722	556,499
Miscellaneous	51,095	97,044	41,661	124,853	92,756	221,897
Transfers	(67,000)	-	67,000	-	-	-
Total General Receipts & Transfers	<u>3,831,722</u>	<u>4,752,608</u>	<u>153,383</u>	<u>495,815</u>	<u>3,985,105</u>	<u>5,248,423</u>
Total Receipts	<u>5,665,397</u>	<u>5,871,691</u>	<u>3,634,109</u>	<u>4,020,445</u>	<u>9,299,506</u>	<u>9,892,136</u>
Disbursements:						
General Government	1,188,303	1,246,671	-	-	1,188,303	1,246,671
Public Safety	2,451,967	2,545,766	-	-	2,451,967	2,545,766
Public Works	659,314	673,770	-	-	659,314	673,770
Health Services	81,500	81,500	-	-	81,500	81,500
Economic Development	509,403	229,948	-	-	509,403	229,948
Leisure-time Activities	151,139	150,078	-	-	151,139	150,078
Intergovernmental	133,788	860,300	-	-	133,788	860,300
Capital Outlay	284,645	341,039	-	-	284,645	341,039
Debt Service	177,419	157,137	-	-	177,419	157,137
Waterworks	-	-	1,302,651	1,466,557	1,302,651	1,466,557
Sewer	-	-	2,239,528	2,364,333	2,239,528	2,364,333
Downtown Revitalization	-	-	132,712	-	132,712	-
Total Disbursements	<u>5,637,478</u>	<u>6,286,209</u>	<u>3,674,891</u>	<u>3,830,890</u>	<u>9,312,369</u>	<u>10,117,099</u>
Increase/(Decrease) in Net Position	<u>27,919</u>	<u>(414,518)</u>	<u>(40,782)</u>	<u>189,555</u>	<u>(12,863)</u>	<u>(224,963)</u>
Net Position, January 1	<u>1,441,182</u>	<u>1,855,700</u>	<u>1,602,035</u>	<u>1,412,480</u>	<u>3,043,217</u>	<u>3,268,180</u>
Net Position, December 31	<u>\$ 1,469,101</u>	<u>\$ 1,441,182</u>	<u>\$ 1,561,253</u>	<u>\$ 1,602,035</u>	<u>\$ 3,030,354</u>	<u>\$ 3,043,217</u>

**CITY OF KENTON
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

Program receipts for governmental and business-type activities represent 57.1 percent of total receipts (excluding transfers) and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and charges for services to water and sewer customers.

General receipts of the governmental and business-type activities represent 42.9 percent of the City's total receipts (excluding transfers). Local property and income taxes are 93.6 percent of the governmental general receipts. Grants and entitlements not restricted to specific programs make up the balance of the City's significant general receipts. Other receipts are very insignificant and somewhat unpredictable receipts sources.

Disbursements for general government represent the overhead costs of running the City and the support services provided for the other City activities. These include the costs of council, and the auditor, treasurer, law director, municipal court and the income tax departments, as well as internal services such as payroll and purchasing.

Public safety is the cost of police and fire protection; health services is the health department; Leisure-time activities are the costs of maintaining the parks and municipal pool; Economic development promotes the City to industry and commerce as well as working with other governments in the area to attract new business. Public works is the cost of maintaining the roads, and intergovernmental represents property tax support for Grove Cemetery and other pass-through activity.

Governmental Activities

If you look at the Statement of Activities on page 13 you will see that the first column lists the major services provided by the City. The major program disbursement for governmental activities is for public safety which accounts for 43.5 percent of all governmental disbursements. General government also represents a significant cost, about 21.1 percent. The next three columns of the statement entitled program receipts identify amounts paid by people who are directly charged for the service and grants received by the City that must be used to provide a specific service. The net (cash disbursements) receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in the following table.

**CITY OF KENTON
HARDIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

	Governmental Activities			
	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	\$ 1,188,303	\$ 815,939	\$ 1,246,671	\$ 895,218
Public Safety	2,451,967	2,335,778	2,545,766	2,545,766
Public Works	659,314	(90,096)	673,770	68,939
Health Services	81,500	81,500	81,500	81,500
Economic Development	509,403	5,259	229,948	148,922
Leisure Time Activities	151,139	59,571	150,078	68,305
Intergovernmental	133,788	133,788	860,300	860,300
Capital Outlay	284,645	284,645	341,039	341,039
Debt Service	166,372	166,372	152,164	152,164
Interest Expense	11,047	11,047	4,973	4,973
Totals	\$ 5,637,478	\$ 3,803,803	\$ 6,286,209	\$ 5,167,126

The dependence upon property, income tax receipts, and hotel/motel taxes is apparent as these receipts provide 64.1 percent of all governmental revenue.

Business-Type Activities

The operation of the City’s water and sewer treatment plants along with maintaining the infrastructure is a significant part of the City’s activities. These business-type activities routinely report receipts and cash disbursements that are relatively equal.

The infrastructure is aging and the City has begun discussing the need for major repairs (such as valve replacements, dead end looping and water main repair) and how these will be funded.

The City’s Funds

Total governmental funds had receipts and other financing sources (excluding transfers and advances) of \$5,732,397 and disbursements of \$5,637,478 (excluding transfers and advances). Receipts were \$139,294 less in 2017 than 2016, but in 2016 bond proceeds were receipted for \$185,537. Disbursements were \$648,731 less in 2017 than 2016 because of a significant decrease in intergovernmental disbursements.

General Fund Budgeting Highlights

The City’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.

**CITY OF KENTON
HARDIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

Actual revenues (excluding transfers and advances) were \$11,316 less than original budgeted revenues. Most of this was due to income tax revenue falling short of original estimates.

The original budget for capital outlay was increased in the final budget due to the need of replacing and improving capital assets. Final disbursements (excluding transfers and advances) were budgeted at \$4,168,587 while actual disbursements were \$3,948,070 (excluding transfers and advances), a difference of \$220,517 and a reflection of the careful spending by administration and department heads.

Capital Assets

The City maintains records on its capital assets, however they are not reported in the financial statements or notes to the financial statements.

Long-term Debt

At year-end the City had \$2,793,043 in long-term debt outstanding – a decrease of 28.7 percent from last year. Governmental activities accounted for \$466,515 and business-type activities accounted for the remaining \$2,326,528 of long-term debt. For further information regarding the City’s debt, refer to Note 11 to the basic financial statements.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Sewer Loan	\$ -	\$ -	\$ 10,789	\$ 11,424	\$ 10,789	\$ 11,424
Bond Obligations	334,067	456,737	373,983	426,463	708,050	883,200
OPWC Loans	132,448	176,150	126,566	138,172	259,014	314,322
OWDA Loans	-	-	1,815,190	2,708,888	1,815,190	2,708,888
Totals	<u>\$ 466,515</u>	<u>\$ 632,887</u>	<u>\$ 2,326,528</u>	<u>\$ 3,284,947</u>	<u>\$ 2,793,043</u>	<u>\$ 3,917,834</u>

Current Issues

The City of Kenton faces the same challenge as all governments do, providing the same quality of service as past years with minimal increased in revenue and expenses continuing to increase. When comparing revenues (excluding transfers, advance and debt proceeds) in 2016 and 2017 for the general fund, revenues decreased by \$115,543. Expenses in 2017 increased by \$6,373 from 2016 in the general fund. With a decrease in general fund revenue and an increase in general fund expenses we need to continue to be conservative in our spending and find ways to reduce our costs.

**CITY OF KENTON
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED
(Continued)**

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to reflect the City'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 Brian Hattery, City Auditor, 111 W. Franklin Street, Kenton, Ohio 43326 or telephone at (419) 673-1310.

**CITY OF KENTON
HARDIN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,469,101	\$ 1,442,909	\$ 2,912,010
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	-	118,344	118,344
Total Assets	<u>1,469,101</u>	<u>1,561,253</u>	<u>3,030,354</u>
Net Position:			
Restricted for:			
Pension Obligations	19,056	-	19,056
Revolving Loan	23,083	-	23,083
Customer Water Deposits	-	118,344	118,344
Other Purposes	430,543	-	430,543
Unrestricted	996,419	1,442,909	2,439,328
Total Net Position	<u>\$ 1,469,101</u>	<u>\$ 1,561,253</u>	<u>\$ 3,030,354</u>

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

**CITY OF KENTON
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Cash Receipts			
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 1,188,303	\$ 372,364	\$ -	\$ -
Public Safety	2,451,967	66,000	6,440	43,749
Public Works	659,314	5,850	380,010	363,550
Health	81,500	-	-	-
Economic Development	509,403	-	8,574	495,570
Leisure Time Activities	151,139	91,568	-	-
Intergovernmental	133,788	-	-	-
Capital Outlay	284,645	-	-	-
Debt Service:				
Principal Payments	166,372	-	-	-
Interest and Fiscal Charges	11,047	-	-	-
Total Governmental Activities	5,637,478	535,782	395,024	902,869
Business-type Activities				
Water	1,302,651	1,359,697	-	-
Sewer	2,239,528	2,121,029	-	-
Downtown Revitalization	132,712	-	-	-
Total Business-type Activities	3,674,891	3,480,726		
Total Activity	\$ 9,312,369	\$ 4,016,508	\$ 395,024	\$ 902,869

General Receipts and Transfers

Property Taxes Levied for:

 General Purpose

 Police Pension

 Fire Pension

 Grove Cemetery

 Bond Retirement

Income Tax

Hotel/Motel

Grants and Entitlements not Restricted for Specific Purposes

Investment Income

Miscellaneous

Debt Issued

Transfers

Total General Receipts and Transfers

Increase/(Decrease) in Net Position

Net Position Beginning of Year

Net Position End of Year

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

**Net (Cash Disbursements) Cash Receipts
and Changes in Net Cash Position**

Governmental Activities	Business-type Activities	Total
\$ (815,939)	\$ -	\$ (815,939)
(2,335,778)	-	(2,335,778)
90,096	-	90,096
(81,500)	-	(81,500)
(5,259)	-	(5,259)
(59,571)	-	(59,571)
(133,788)	-	(133,788)
(284,645)	-	(284,645)
(166,372)	-	(166,372)
(11,047)	-	(11,047)
<u>(3,803,803)</u>		<u>(3,803,803)</u>
-	57,046	57,046
-	(118,499)	(118,499)
-	(132,712)	(132,712)
	<u>(194,165)</u>	<u>(194,165)</u>
<u>(3,803,803)</u>	<u>(194,165)</u>	<u>(3,997,968)</u>
200,078	-	200,078
26,297	-	26,297
26,297	-	26,297
94,545	-	94,545
27,830	-	27,830
3,275,173	-	3,275,173
21,392	-	21,392
158,430	-	158,430
17,585	-	17,585
51,095	41,661	92,756
-	44,722	44,722
(67,000)	67,000	-
<u>3,831,722</u>	<u>153,383</u>	<u>3,985,105</u>
27,919	(40,782)	(12,863)
1,441,182	1,602,035	3,043,217
<u>\$ 1,469,101</u>	<u>\$ 1,561,253</u>	<u>\$ 3,030,354</u>

**CITY OF KENTON
HARDIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Street	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 949,763	\$ 19,756	\$ 499,582	\$ 1,469,101
Total Assets	949,763	19,756	499,582	1,469,101
Fund Balances:				
Nonspendable	26,774	-	-	26,774
Restricted	-	19,756	452,926	472,682
Committed	-	-	46,656	46,656
Assigned	105,293	-	-	105,293
Unassigned	817,696	-	-	817,696
Total Cash Fund Balances	\$ 949,763	\$ 19,756	\$ 499,582	\$ 1,469,101

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

**CITY OF KENTON
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
Property and Other Taxes	\$ 221,470	\$ -	\$ 174,969	\$ 396,439
Income Taxes	3,275,173	-	-	3,275,173
Charges for Services	66,100	-	86,620	152,720
Licenses and Permits	58,344	780	-	59,124
Fines and Forfeitures	253,380	-	58,848	312,228
Intergovernmental	190,539	314,329	930,851	1,435,719
Interest on Investments	17,585	1,340	1,388	20,313
Miscellaneous Receipts	52,787	15,049	12,845	80,681
Total Receipts	<u>4,135,378</u>	<u>331,498</u>	<u>1,265,521</u>	<u>5,732,397</u>
Cash Disbursements:				
General Government:				
Legislative and Executive	713,594	-	-	713,594
Judicial	435,262	-	39,447	474,709
Public Safety	2,390,215	-	61,752	2,451,967
Public Works	-	604,193	55,121	659,314
Health	81,500	-	-	81,500
Economic Development	6,000	-	503,403	509,403
Leisure Time Activities	-	-	151,139	151,139
Intergovernmental	-	-	133,788	133,788
Capital Outlay	265,743	9,754	9,148	284,645
Debt Service:				
Bond Principal Payment	-	-	122,670	122,670
Note Principal Payment	-	-	43,702	43,702
Interest and Fiscal Charges	-	-	11,047	11,047
Total Cash Disbursements	<u>3,892,314</u>	<u>613,947</u>	<u>1,131,217</u>	<u>5,637,478</u>
Cash Receipts Over (Under) Cash Disbursements	<u>243,064</u>	<u>(282,449)</u>	<u>134,304</u>	<u>94,919</u>
Other Financing Sources (Uses):				
Transfers - In	-	234,685	149,595	384,280
Transfers - (Out)	(423,326)	(12,954)	(15,000)	(451,280)
Advance - In	329,009	-	-	329,009
Advance - (Out)	-	-	(329,009)	(329,009)
Total Other Financing Sources (Uses)	<u>(94,317)</u>	<u>221,731</u>	<u>(194,414)</u>	<u>(67,000)</u>
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements and Other Financing Uses	148,747	(60,718)	(60,110)	27,919
Cash Fund Balances - Beginning of Year	<u>801,016</u>	<u>80,474</u>	<u>559,692</u>	<u>1,441,182</u>
Cash Fund Balances - End of Year	<u>\$ 949,763</u>	<u>\$ 19,756</u>	<u>\$ 499,582</u>	<u>\$ 1,469,101</u>

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

**CITY OF KENTON
HARDIN COUNTY**

**STATEMENT OF FUND NET POSITION - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Downtown Revitalization</u>	<u>Total Enterprise Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,060,869	\$ 382,030	\$ 10	\$ 1,442,909
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	118,344	-	-	118,344
Total Assets	<u>1,179,213</u>	<u>382,030</u>	<u>10</u>	<u>1,561,253</u>
Net Position:				
Restricted for Customer Water Deposits	118,344	-	-	118,344
Unrestricted	1,060,869	382,030	10	1,442,909
Total Net Position	<u>\$ 1,179,213</u>	<u>\$ 382,030</u>	<u>\$ 10</u>	<u>\$ 1,561,253</u>

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

**CITY OF KENTON
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND NET POSITION - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Water</u>	<u>Sewer</u>	<u>Downtown Revitalization</u>	<u>Total Enterprise Funds</u>
Operating Cash Receipts:				
Charges for Services	\$ 1,309,370	\$ 2,065,043	\$ -	\$ 3,374,413
Other	50,327	55,986	-	106,313
Total Operating Cash Receipts	<u>1,359,697</u>	<u>2,121,029</u>	<u>-</u>	<u>3,480,726</u>
Operating Cash Disbursements:				
Personal Services	703,695	597,763	-	1,301,458
Contract Services	191,819	392,677	132,090	716,586
Materials and Supplies	329,865	194,396	-	524,261
Capital Outlay	11,517	9,081	-	20,598
Utility Deposits Returned	9,162	-	-	9,162
Other	32,855	307	-	33,162
Total Operating Cash Disbursements	<u>1,278,913</u>	<u>1,194,224</u>	<u>132,090</u>	<u>2,605,227</u>
Operating Income (Loss)	80,784	926,805	(132,090)	875,499
Nonoperating Cash Receipts/(Disbursements):				
OWDA Loan Proceeds	-	-	44,722	44,722
Loan Retirement	(6,468)	(944,193)	-	(950,661)
Bond Retirement	(12,365)	(40,115)	-	(52,480)
Interest Expense	(4,905)	(60,996)	(622)	(66,523)
Other Nonoperating Receipts	6,759	13,902	21,000	41,661
Total Nonoperating Receipts/(Disbursements)	<u>(16,979)</u>	<u>(1,031,402)</u>	<u>65,100</u>	<u>(983,281)</u>
Income (Loss) Before Transfers	63,805	(104,597)	(66,990)	(107,782)
Transfers - In	<u>-</u>	<u>-</u>	<u>67,000</u>	<u>67,000</u>
Changes in Net Postion	63,805	(104,597)	10	(40,782)
Net Position - Beginning of Year	<u>1,115,408</u>	<u>486,627</u>	<u>-</u>	<u>1,602,035</u>
Net Position - End of Year	<u>\$ 1,179,213</u>	<u>\$ 382,030</u>	<u>\$ 10</u>	<u>\$ 1,561,253</u>

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

**CITY OF KENTON
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
AGENCY FUNDS
DECEMBER 31, 2017**

	<u>Agency Funds</u>
Cash Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 88,446</u>
Net Position:	
Held for others	<u>\$ 88,446</u>

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

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 - Reporting Entity

The City of Kenton (the City) is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under the council-mayor form of government. The Mayor is the chief executive and administrative officer and is elected for a four year term. He is responsible for carrying out the policies and ordinances of council, for overseeing the day-to-day operations of the City and for appointing the Safety/Service Director, Income Tax Administrator and various boards and commissions. The legislative authority is vested in a seven-member Council with a presiding President of Council, who are elected to two-year terms. In addition to establishing City policies, Council is responsible for passing ordinances and adopting the budget. Other elected officials consist of the auditor and the law director, who are elected to four-year terms, and the treasurer who is elected to a six-year term.

The reporting entity is composed of the primary government and other organizations that are included to ensure the financial statements of the City are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government of the City provides the following services to its citizens: police and fire protection, parks and recreation, street maintenance and repairs, water and sewer utilities and a staff to provide essential support to these services.

B. Jointly Governed Organizations and Ohio Plan Risk Management

The City participates in three jointly governed organizations and the Ohio Plan Risk Management, an insurance pool. These organizations are the Grove Cemetery Association, the Hardin County Regional Planning Commission, and BKP Ambulance District. These organizations are presented in Notes 8 and 17 to the financial statements.

The City's management believes these financial statements present all activities for which the City is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position, 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 statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the City's governmental activities and for business-type activities of the City. Direct disbursements are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program receipts include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental functions is self-financing or draws from the general resources of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City 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 City at this more detailed level. The focus of governmental and enterprise 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.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are presented in three categories: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The following are the City's major governmental funds:

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

Street Fund – The street fund accounts for state shared motor vehicle license tax and gas tax money for the repair and maintenance of City streets.

The other governmental funds of the City account for grants and other resources whose use is committed to a certain purpose or restricted for a particular purpose.

Proprietary Funds

The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's enterprise funds:

Water Fund – The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the City.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Downtown Revitalization Fund – The downtown revitalization fund was created in 2017 and it accounts for costs from an initial study conducted to improve water and sewer infrastructure within the downtown area.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The City's fiduciary funds are agency funds. Agency funds are purely custodial in nature and are used to account for assets held by the City for individuals and other governments and organizations – fire loss claims and the activity of the Municipal Court. These funds are not included in the City's government-wide financial statements.

C. Basis of Accounting

The City's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City'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. Any such modifications made by the City are described in the appropriate section in this note.

As a result of the use of this 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 these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the fund, department, and object level for all funds.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Chief Deputy Auditor. 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 schedules reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the City Council.

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

E. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase 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.

During 2017, the City invested in two financial institution money market funds and participates in a deposit placement service that provides competitive earnings while being fully insured. These accounts are treated as deposits and reported at cost. The City’s money market funds are recorded at the amount reported by Community First Bank, N.A., and Home Savings and Loan Company on December 31, 2017.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest receipts credited to the general fund during 2017 was \$17,585 which includes \$12,144 assigned from other City funds.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent utility deposits from customers that are classified as restricted because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

G. Inventory and Prepaid Items

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as a liability under the City's cash basis of accounting.

J. Long-Term Obligations

The City's 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 paid. Lease payments are reported when paid. Long-term obligations of the governmental funds and business-type funds are identified in Note 11.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Net Position

Net cash position consists of cash receipts and balances reduced by cash disbursements for the current year. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The City has restricted net position for pension obligations, revolving loan balances and customer water deposits. Restricted for other purposes is comprised of net position restricted for grants or other externally restricted receipts. The City did not have any net position restricted by enabling legislation. The City's policy is to first apply restricted resources when a disbursement is incurred for purposes which both restricted and unrestricted net position is available.

L. Fund Balance

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

Nonspendable: The nonspendable fund balance category 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" criterion 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 is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purpose with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet 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. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by ordinance. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the General Fund.

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 City applies restricted resources first when disbursements are 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Pensions

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

N. Inter-fund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statement. During the course of normal operations, the City has numerous transactions between funds. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers. The City reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

O. Health Care

The City continues to carry health and life insurance through a private carrier. The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the City to offer and provide terminated or retired employees continued participation in the City's employee health care benefits program, provided that the employees pay the rate established by the plan administrator.

P. Intergovernmental Revenues

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as revenues when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets in proprietary funds are recorded as revenue when the grant is received.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 3 - Accountability and Compliance

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

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Budgetary Comparison Schedule presented for the general fund, and street fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis disbursements are outstanding year-end encumbrances. They are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis). The difference between the budgetary basis and the cash basis receipts reported in the general fund is from collected fine and forfeitures by the Hardin Municipal Court agency fund by year-end but not distributed until after year-end. The following table summarizes the adjustments necessary to reconcile these cash basis statements to the budgetary basis statements for the general and street funds.

Reconciliation of Fund Balances		
	General	Street
Ending cash basis fund balances	\$ 949,763	\$ 19,756
Receipts:		
Municipal Court receipts	(18,665)	-
Disbursements:		
Encumbrances	(55,756)	(5,071)
Ending budgetary basis balances	\$ 875,342	\$ 14,685

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 5 – Deposits and Investments

The City Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the City into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City 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 that Council 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 City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 5 – Deposits and Investments (Continued)

5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, 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

At year end, the carrying amount of the City's deposits was \$3,118,800 and the bank balance was \$3,266,389. Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the City's bank balance was not exposed to custodial credit risk.

The City has no deposit policy for custodial 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 City 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 one hundred five percent of the deposits being secured.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 6 – Income Taxes

The City levies an income tax of 1.5% on the gross salaries, wages and other personnel service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. The receipts of the City income tax and the administrative costs associated with their collections are accounted for in the general fund.

Note 7 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$4.2 per \$1,000 of assessed value. Real property owner's tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback deductions is reimbursed to the City by the State of Ohio. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 7 - Property Taxes (Continued)

<u>Property Category</u>	<u>Assessed Value</u>
<u>Real Property</u>	
Residential	\$ 59,103,640
Agricultural	611,060
Commercial	21,140,390
Industrial	9,763,220
Public utilities	<u>27,570</u>
Total Real Property	<u>90,645,880</u>
 <u>Tangible Personal Property</u>	
Public utilities	<u>5,454,600</u>
Total	<u>\$ 96,100,480</u>

The residents of the City support Grove Cemetery Association (the Cemetery), a jointly governed organization described further in Note 17, through a tax levy. The levy for the Cemetery is a voted millage. During 2017, the Cemetery received \$99,247 in tax revenue and related homestead and rollback revenue, from the residents of the City. This money is reported as property tax receipts and intergovernmental receipts, respectively, and the subsequent disbursement is recorded within intergovernmental disbursements on the financial statements.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected.

Note 8 - Risk Management

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 8 - Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform to generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$ 14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 9 - Defined Benefit Pension Plans

Net Pension Liability

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

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

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

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

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

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially the majority of all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after <u>January 7, 2013</u>	20 years of service credit prior to January 7, 2013 or eligible to retire <u>ten years after January 7, 2013</u>	Members not in other Groups and members hired on or after <u>January 7, 2013</u>
State and Local	State and Local	State and Local
Age and service requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and service requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and service requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2017 Statutory maximum contribution rates	
Employer	14.00 %
Employee	10.00 %
 2017 Actual contribution rates	
Employer:	
Pension	13.00 %
Post-employment health care benefits	<u>1.00</u>
Total employer	<u><u>14.00</u></u> %
 Employee	 <u><u>10.00</u></u> %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$219,406 for year 2017.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2017 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee:		
January 1, 2017 through December 31, 2017	12.25%	12.25%
2017 Actual contribution rates		
Employer:		
Pension	19.00%	23.50%
Post-employment health care benefits	<u>0.50%</u>	<u>0.50%</u>
Total employer	<u>19.50%</u>	<u>24.00%</u>
Employee:		
January 1, 2017 through December 31, 2017	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City of Kenton's contractually required contribution to OP&F was \$275,603 for 2017.

Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

	OPERS	OP&F	Total
Proportionate share of the net pension liability	0.012753%	0.0600850%	
Proportion of the net pension liability-prior year	0.012310%	0.0607420%	
Change in proportionate share	-0.000443%	0.000657%	
Proportionate share of the net pension liability	\$2,795,392	\$3,847,337	\$6,642,729

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25 percent
Future salary increases, including inflation	3.25 percent to 10.75 percent
COLA or Ad Hoc COLA	3 percent, simple
Investment rate of return	7.5 percent
Actuarial cost method	Individual entry age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset class</u>	<u>Target allocation</u>	<u>Weighted average long-term expected real rate of return (arithmetic)</u>
Fixed income	23.00%	2.75%
Domestic equities	20.70%	6.34%
Real estate	10.00%	4.75%
Private equity	10.00%	8.97%
International equities	18.30%	7.95%
Other investments	<u>18.00%</u>	<u>4.92%</u>
Total	<u>100.00%</u>	<u>5.66%</u>

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$4,270,585	\$2,795,392	\$1,566,078

Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2016 are summarized below:

Asset <u>class</u>	Target <u>Allocation</u>	Long-term expected <u>real rate of return**</u>
Cash and cash equivalents	0.00%	0.00%
Domestic equity	16.00%	5.21%
Non-US equity	16.00%	5.40%
Core fixed income *	20.00%	2.37%
Global inflation protected securities'	20.00%	2.33%
High yield	15.00%	4.48%
Real estate	12.00%	5.65%
Private markets	8.00%	7.99%
Real Assets	5.00%	6.87%
Master limited partnerships	<u>8.00%</u>	7.36%
 Total	 <u>120.00%</u>	

* Levered 2x.

**numbers are net of expected inflation

OP&F’s Board of Trustees has incorporated the “risk parity” concept into OP&F’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 - Defined Benefit Pension Plans (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 5,124,197	\$ 3,847,337	\$ 2,765,181

Changes Between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.0 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

Note 10 – Post Employment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS administers three separate pension plans: The Traditional Pension plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Post Employment Benefits (Continued)

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by the OPERS' actuary, the portion of employer contribution allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0%.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Post Employment Benefits (Continued)

The City's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2017, 2016, and 2015 were \$16,877, \$25,552, and \$32,788, respectively. 100% has been contributed for 2017, 2016 and 2015.

B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 – Post Employment Benefits (Continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. The portion of employer contributions allocated to health care was 0.5% of covered payroll from January 1, 2017 through December 31, 2017. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund postemployment healthcare benefits of police and firefighters were \$3,581 and \$3,671 for the year ended December 31, 2017, \$3,623 and \$3,016 for the year ended December 31, 2016, and \$46,230 and \$41,378 for the year ended December 31, 2015. 100% has been contributed for 2017, 2016 and 2015.

Note 11 – Debt

The City's debt transactions for the year ended December 31, 2017, are summarized below:

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 11 – Debt (Continued)

	Debt Principal Outstanding 1/1/2017	Debt Issued in 2017	Debt Principal Retired in 2017	Debt Principal Outstanding In 2017	Due Within One Year
<u>Governmental Activities</u>					
<i>General Obligation Bonds</i>					
2011 Swimming Pool					
Improvement Refunding	\$ 170,000	\$ -	\$ (85,000)	\$ 85,000	\$ 85,000
2015 Fire Truck Acquisition	101,200	-	(25,300)	75,900	25,300
2016 Building Acquisition	185,537	-	(12,370)	173,167	12,370
Total General Obligation Bonds	<u>456,737</u>	<u>-</u>	<u>(122,670)</u>	<u>334,067</u>	<u>122,670</u>
<i>Ohio Public Works Commission Loans</i>					
2006 Street Improvements	65,835	-	(6,930)	58,905	6,930
2010 Street Improvements	110,315	-	(36,772)	73,543	36,772
Total OPWC Loans	<u>176,150</u>	<u>-</u>	<u>(43,702)</u>	<u>132,448</u>	<u>43,702</u>
Total Governmental Activities	<u>632,887</u>	<u>-</u>	<u>(166,372)</u>	<u>466,515</u>	<u>166,372</u>
<u>Business-type Activities</u>					
<i>General Obligation Bonds</i>					
2008 WWTP/Improvement	55,500	-	(27,750)	27,750	27,750
2016 Building Acquisition - Water	185,481	-	(12,365)	173,116	12,365
2016 Building Acquisition - Sewer	185,482	-	(12,365)	173,117	12,365
Total General Obligation Bonds	<u>426,463</u>	<u>-</u>	<u>(52,480)</u>	<u>373,983</u>	<u>52,480</u>
<i>Loans</i>					
2014 County Sanitary Sewer Loan	11,424	-	(635)	10,789	635
<i>Ohio Public Works Commission Loans</i>					
2003 Waterworks - Water	35,347	-	(5,892)	29,455	5,891
2014 Sanitary Sewer - Sewer	102,825	-	(5,714)	97,111	5,713
Total OPWC Loans	<u>138,172</u>	<u>-</u>	<u>(11,606)</u>	<u>126,566</u>	<u>11,604</u>
<i>Ohio Water Development Authority Loans</i>					
1996 Wastewater Improvement	80,109	-	(80,109)	-	-
1998 Wastewater Improvement (WWTP)	2,628,779	-	(857,159)	1,771,620	876,120
2017 Downtown Infrastructure - Water	-	22,361	(576)	21,785	1,153
2017 Downtown Infrastructure - Sewer	-	22,361	(576)	21,785	1,152
Total OWDA Loans	<u>2,708,888</u>	<u>44,722</u>	<u>(938,420)</u>	<u>1,815,190</u>	<u>878,425</u>
Total Business-type Activities	<u>3,284,947</u>	<u>44,722</u>	<u>(1,003,141)</u>	<u>2,326,528</u>	<u>943,144</u>
Total All Debt	<u>\$ 3,917,834</u>	<u>\$ 44,722</u>	<u>\$ (1,169,513)</u>	<u>\$ 2,793,043</u>	<u>\$ 1,109,516</u>

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 11– Debt (Continued)

Outstanding general obligation bonds and loans consist of street improvements, purchase of 555 W Franklin Street building, water and sewer system improvements issues and swimming pool construction. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

1999 Various Purpose Bonds

During 1999, the City issued various purpose bonds in the total amount of \$2,090,000 of which \$1,200,000 was used to retire bond anticipation notes issued for the construction of a municipal swimming pool and \$890,000 to retire outstanding bonds for the municipal building. The bonds have stated interest rates between 3.3 and 5.4 percent. The \$890,000 refunding portion of the bonds matured in 2005 and the municipal swimming pool portion were to mature in 2018 but were refinanced in 2011.

The bonds due December 1, 2018 are subject to mandatory sinking fund redemption.

The mandatory sinking fund redemption began on December 1, 2013, and is to occur on each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption. Unless otherwise called for redemption, the remaining \$85,000 principal amount of the bonds due December 1, 2018, is to be paid at stated maturity.

The bonds were called in 2011 and re-issued at coupon rates varying from 1% to 2.125%. This reduced the City's interest payments by \$48,709 over the remaining life of the loan.

2011 Swimming Pool Improvement Refunding Bonds

In October 2011, the City issued \$570,000 in voted general obligation bonds for the purpose of refunding a portion of the 1999 Swimming Pool Construction Bonds originally issued in the aggregate principal amount of \$1,200,000 for the purpose of constructing the swimming pool. The bonds have interest rates ranging from 1.0% to 2.125%, with final maturity on December 1, 2018.

The refunding bond issue provided resources to purchase US Government securities that were placed in trust with an escrow agent, for the purpose of future debt service payments of \$540,000 of the 1999 bond issue. As a result, the refunded bonds are considered to be defeased and the City no longer has liabilities associated with those bonds.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 11– Debt (Continued)

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete refunding was \$48,709. The economic gain resulting from the refunding was \$43,474.

2006 Ohio Public Works Commission Loan (OPWC)

The City obtained a zero percent interest 20 year loan from the OPWC for the Storm Water Collection System Improvement Project during 2006. This loan is in the amount of \$138,600 and will mature in 2026. Loan payments will come from the governmental debt retirement fund.

2010 Ohio Public Works Commission Loan (OPWC)

During 2009, the City obtained a zero percent interest 10 year loan from the OPWC for the City's matching funds for the joint highway improvement project with the Ohio Department of Transportation involving the five state routes that converge inside the City limits. This loan is in the amount of \$367,714 and will mature in 2020. Loan payments will come from the governmental debt retirement fund.

1996 Ohio Water Development Authority Loan (OWDA)

The City began the first phase towards meeting the requirements of the Ohio Environmental Protection Agency regarding improvements needed at the Wastewater Treatment Plant when they began the design for the North Interceptor Sewer during 1996. Funding for the design and construction phase of this project came from a loan in the amount of \$1,307,587 at 2.2 percent interest for 20 years granted by the Ohio Water Development Authority (OWDA). This loan will be repaid from user charges.

1998 Ohio Water Development Authority Loan (OWDA)

The City began the construction phase of the Wastewater Treatment Plant Expansion Project during 1998 with funding for this project provided by an estimated \$14,665,000 loan at 2.2 percent interest for 20 years granted by the OWDA. The final disbursement was made during 2007 in the amount of \$72,702 to complete funding of the litigation settlement regarding the plant. This loan will be repaid from user charges.

2003 Ohio Public Works Commission Loan (OPWC)

During 2003, the City obtained a zero percent interest 20 year loan in the amount of \$117,821 from the OPWC for the water treatment plant and water system improvements project. This loan will mature in 2023 and will be retired utilizing utility charges.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 11– Debt (Continued)

2008 WWTP/System Improvement Bonds

The City issued \$277,500 general obligation bonds on April 4, 2008 at 3.95% interest to refinance the bond anticipation notes issued for the Sewer Fund’s share of the radio-read water meter project and partial funding for the litigation settlement regarding the sewer plant. These bonds will be repaid from user charges.

2014 Sanitary Sewer Collection (OPWC)

During 2014, the City obtained a zero percent interest 20 year loan in the amount of \$114,249 from OPWC for the sanitary sewer collection system improvements project. The loan will mature in 2034 and will be paid for by the homeowners on their property tax bills.

2014 Sanitary Sewer Collection (Hardin County)

During 2014, Hardin County contributed \$12,694 for the sanitary sewer collection system improvements project. This loan will mature in 2034 and will be paid for by the homeowners on their property tax bills.

2015 Fire Truck Acquisition Bonds

During 2015, the City issued \$126,500 Fire Truck Acquisition Bonds on December 1, 2015 at 2.5% interest. These bonds will be paid from the bond retirement fund and will mature in 2020.

2016 Building Acquisition Bonds

During 2016, the City issued \$556,500 for Building Acquisition Bonds on September 28, 2016 at 2.25 % interest. These bonds will be repaid from the bond retirement fund, waterworks fund, and sewer fund. The loan will mature in 2031.

2017 OWDA Downtown Infrastructure Loan

During 2017, the City entered into loan for the planning of improvements to the downtown water and sewer infrastructure. The City borrowed \$44,722 and \$1,152 was repaid in 2017. The remaining balance is schedule to be repaid by \$2,305 due in each of the next four years with a balloon payment due in 2022. In the event of the project moving forward, the loan will be combined with a construction loan.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 11– Debt (Continued)

The annual requirements to amortize all long term debt outstanding as of December 31, 2017 are listed in the table below:

<u>Governmental Activities</u>						
<u>Year</u>	<u>General Obligation Bonds</u>		<u>OPWC Loans</u>			
	<u>Principal</u>	<u>Interest</u>			<u>Principal</u>	
2018	\$ 122,670	\$ 7,603			\$ 43,702	
2019	37,670	4,885			43,701	
2020	37,670	3,983			6,930	
2021	12,370	3,062			6,930	
2022	12,370	2,784			6,930	
2023-2027	61,850	9,754			24,255	
2028-2032	49,467	2,803			-	
	<u>\$ 334,067</u>	<u>\$ 34,874</u>			<u>\$ 132,448</u>	

<u>Business-type Activities</u>						
<u>Year</u>	<u>General Obligation Bonds</u>		<u>OWDA Loans</u>		<u>OPWC Loans</u>	<u>County Loan</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>
2018	\$ 52,480	\$ 8,336	\$ 878,425	\$ 34,183	\$ 11,604	\$ 635
2019	24,730	7,232	897,805	14,803	11,603	634
2020	24,730	6,694	2,305	-	11,604	635
2021	24,730	6,120	2,305	-	11,603	635
2022	24,730	5,564	34,350	-	11,604	634
2023-2027	123,650	19,480	-	-	28,562	3,174
2028-2032	98,933	5,553	-	-	28,561	3,173
2033-2034	-	-	-	-	11,425	1,269
	<u>\$ 373,983</u>	<u>\$ 58,979</u>	<u>\$ 1,815,190</u>	<u>\$ 48,986</u>	<u>\$ 126,566</u>	<u>\$ 10,789</u>

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 12 – Leases

The City leases land under a non-cancelable operating lease. The lease is for a term of ninety-nine years commencing on August 1, 2000, and ending on July 31, 2099, with lease payments being renegotiable after fifty (50) years. Lease payments for the first five years were \$6,000 per year and increase five percent for each subsequent five year period for the first 50 years. The lease payments are being paid from the water fund.

The future minimum lease payments for the lease through 2049 are as follows:

<u>Year Ending December 31:</u>	<u>Annual Payment</u>
2018	\$ 6,946
2019	6,946
2020	7,293
2021	7,293
2022	7,293
2023-2027	37,560
2028-2032	39,436
2033-2037	41,409
2038-2042	43,478
2043-2047	45,652
2048-2049	<u>18,616</u>
Total	<u>\$ 261,922</u>

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 13 – Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Street</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<i>Nonspendable:</i>				
Unclaimed Funds	\$ 26,774	\$ -	\$ -	\$ 26,774
<i>Restricted for:</i>				
Street maintenance	-	19,756	37,016	56,772
Home repair	-	-	20,379	20,379
Economic development	-	-	23,083	23,083
Court improvements	-	-	173,740	173,740
Police pension	-	-	10,013	10,013
Fire pension	-	-	9,043	9,043
Police improvements	-	-	47,016	47,016
Indigent drivers	-	-	91,403	91,403
Probation services	-	-	41,227	41,227
Bond retirement	-	-	6	6
<i>Total Restricted</i>	<u>-</u>	<u>19,756</u>	<u>452,926</u>	<u>472,682</u>
<i>Committed to:</i>				
Park and recreation	-	-	46,656	46,656
<i>Assigned to:</i>				
Subsequent appropriations in excess of estimated receipts	49,537	-	-	49,537
Purchases on order	<u>55,756</u>	<u>-</u>	<u>-</u>	<u>55,756</u>
<i>Total Assigned</i>	<u>105,293</u>	<u>-</u>	<u>-</u>	<u>105,293</u>
<i>Unassigned</i>	<u>817,696</u>	<u>-</u>	<u>-</u>	<u>817,696</u>
<i>Total Fund Balances</i>	<u>\$ 949,763</u>	<u>\$ 19,756</u>	<u>\$ 499,582</u>	<u>\$ 1,469,101</u>

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 14- Inter-fund Transfers and Advances

Interfund transfers for the year ended December 31, 2017, consisted of the following:

<u>Transfer to</u>	<u>Transfer from</u>			<u>Total</u>
	<u>General fund</u>	<u>Street fund</u>	<u>Nonmajor Governmental fund</u>	
Street fund	\$ 234,685	\$ -	\$ -	\$ 234,685
Nonmajor governmental funds	136,641	12,954	-	149,595
Enterprise fund:				
Downtown revitalization	52,000	-	15,000	67,000
Total transfers	\$ 423,326	\$ 12,954	\$ 15,000	\$ 451,280

Transfers represent the allocation of unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Interfund advances for the year ended December 31, 2017, consisted of advances-in to the general fund of \$329,009 from nonmajor governmental funds.

Note 15 - Commitments

The City's encumbrance policy for the year ended December 31, 2017 is that individual encumbrances can be issued for any amount to be considered significant encumbrances. All encumbrances are classified as assigned fund balance in the general fund or as restricted fund balance in the other governmental funds.

Encumbrances as of December 31, 2017 were:

<u>Fund</u>	<u>Assigned</u>	<u>Restricted</u>	<u>Total</u>
Major Governmental Funds:			
General	\$ 55,756	\$ -	\$ 55,756
Street	-	5,071	5,071
Nonmajor Governmental Funds	-	6,030	6,030
Totals	\$ 55,756	\$ 11,101	\$ 66,857

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 16– Contingent Liabilities

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 17 - Jointly Governed Organizations

A. Grove Cemetery Association

The Grove Cemetery Association (the Association) is a jointly-governed organization consisting of Buck, Pleasant and Goshen Townships and the City of Kenton. The Association is governed by a board of trustees consisting of one representative from each township and the City. The degree of control exercised by any participating entity is limited to its representation on the board.

Operating funds for the Association are provided from property taxes assessed against property owners located within the Townships and the City making up the Association and charges assessed for services of the Association. The City provides no other funds to the Association. Financial information may be obtained from Roger Crowe, Fiscal Officer at 15443 St. Rt. 309, Kenton, OH 43326.

B. Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a jointly-governed organization between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty seven members, any of which may hold any other public office. The City is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

C. BKP Ambulance District

The constitution and laws of the State of Ohio establish the rights and privileges of the BKP Ambulance District, Hardin County, (the District) as a body corporate and politic. A seven-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Buck, Cessna, Dudley, Goshen, Lynn and Pleasant Townships in Hardin County, and the City of Kenton. Financial information can be obtained from Peg Brown, Clerk, 439 South Main Street, Kenton, Ohio 43326.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 18 – Tax Abatement

The City entered into a tax abatement agreement with International Paper for the abatement of property taxes to bring jobs and economic development into the City. The agreement affects the property tax receipts collected and distributed to the City. Under the agreement, the City property tax collections were reduced in 2017 by \$6,740 in the general fund, \$778 in both the police and fire pension funds and \$2,592 in the Grove Cemetery fund.

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**CITY OF KENTON
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 724,261	\$ 724,261	\$ 724,261	\$ -
Resources (Inflows):				
Property and Other Local Taxes	211,268	211,268	221,470	10,202
Income Taxes	3,400,000	3,400,000	3,275,173	(124,827)
Charges for Services	66,200	66,200	66,100	(100)
Licenses and Permits	46,000	46,000	58,344	12,344
Fines and Forfeitures	256,000	256,000	260,310	4,310
Intergovernmental	157,513	157,513	190,539	33,026
Interest on Investments	8,000	8,000	17,585	9,585
Miscellaneous Receipts	7,692	7,692	51,836	44,144
Transfer In	-	-	25,000	25,000
Advance In	-	-	329,009	329,009
Total Resources (Inflows)	<u>4,152,673</u>	<u>4,152,673</u>	<u>4,495,366</u>	<u>342,693</u>
Charges to Appropriations (Outflows):				
General Government				
Legislative and Executive	688,296	776,986	727,713	49,273
Judicial	470,067	477,217	443,185	34,032
Public Safety	2,543,002	2,545,957	2,423,276	122,681
Health	81,500	81,500	81,500	-
Economic Development	6,000	6,000	6,000	-
Capital Outlay	28,978	280,927	266,396	14,531
Transfers Out	496,030	551,032	448,326	102,706
Total Disbursements (Outflows)	<u>4,313,873</u>	<u>4,719,619</u>	<u>4,396,396</u>	<u>323,223</u>
Excess of Receipts Over (Under) Disbursements	(161,200)	(566,946)	98,970	665,916
Prior Year Encumbrances Appropriated	<u>52,111</u>	<u>52,111</u>	<u>52,111</u>	<u>-</u>
Ending Budgetary Balance	<u>\$ 615,172</u>	<u>\$ 209,426</u>	<u>\$ 875,342</u>	<u>\$ 665,916</u>

See accompanying notes to Supplementary Information.

**CITY OF KENTON
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - BUDGET BASIS
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 75,407	\$ 75,407	\$ 75,407	\$ -
Resources (Inflows):				
Licenses and Permits	500	500	780	280
Intergovernmental	309,000	309,000	314,329	5,329
Interest on Investments	300	300	1,340	1,040
Miscellaneous Receipts	13,070	13,070	15,049	1,979
Transfer In	324,685	324,685	234,685	(90,000)
Total Resources (Inflows)	<u>647,555</u>	<u>647,555</u>	<u>566,183</u>	<u>(81,372)</u>
Charges to Appropriations (Outflows):				
Current:				
Public Works	661,665	663,145	609,264	53,881
Capital Outlay	10,000	10,000	9,754	246
Transfers Out	12,955	12,955	12,954	1
Total Disbursements (Outflows)	<u>684,620</u>	<u>686,100</u>	<u>631,972</u>	<u>54,128</u>
Excess of Receipts (Under) Disbursements	(37,065)	(38,545)	(65,789)	(27,244)
Prior Year Encumbrances Appropriated	<u>5,067</u>	<u>5,067</u>	<u>5,067</u>	<u>-</u>
Ending Budgetary Balance	<u>\$ 43,409</u>	<u>\$ 41,929</u>	<u>\$ 14,685</u>	<u>\$ (27,244)</u>

See accompanying notes to Supplementary Information.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Basis of Accounting

The budget is prepared on the same cash basis as applied to the funds in the basic financial statements.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinances, all of which are prepared on the cash basis as required by the County Budget Commission. All funds, other than agency funds, are legally required to be budgeted and appropriated. The certificate of estimated resources and the appropriation ordinances are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. All changes in appropriated amounts require action by City Council.

Tax Budget – The Hardin County Budget Commission has adopted a resolution waiving required adoption of the annual tax budget for subdivisions that file their prior year financial statement with the Commission by June 30th and which either have no public debt or which have public debt and file additional debt-related information with the Commission.

Estimated Resources – Prior to October 1, the City accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission’s certificate of estimated resources which states the estimated fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures/expenses from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about January 1, the certificate is amended to include the actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during 2017.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Appropriations – By March 31, the annual appropriation ordinance must be legally enacted by the City at the fund, department, and major object level which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the City may pass a temporary appropriation measure to meet the ordinary expenses of the City. The appropriation ordinance, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation or alter total appropriations within an object of a department must be approved by City Council. Council may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent amended certificate of estimated resources. During the year, several supplemental appropriations were adopted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Budgeted Level of Expenditure/Expense – Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures/expenses plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made by department and object levels, which include personal services, materials and supplies, contractual services, other expenditures/expenses, capital outlay and transfers, along with individual accounts for bond and note principal retirement, and interest and fiscal charges.

Lapsing of Appropriations - Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

Encumbrances – Encumbrance accounting is utilized by City funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. Encumbrances outstanding at year end appear as an assigned, committed, or restricted fund balance and as the equivalent of expenditures on the budgetary comparison in order to demonstrate legal compliance. This encumbrance authority is carried forward to the next fiscal year and is reported in the “Revised Budget” amount for budgetary comparisons. If the actual expenditures are less than the amount encumbered in the general fund, the excess is closed to the unassigned fund balance.

**CITY OF KENTON
HARDIN COUNTY**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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 Budgetary Comparison Schedules presented for the General and Street funds are prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is that outstanding year end encumbrances are treated as expenditures (budget basis) rather than as an assigned, committed, or restricted fund balance (cash basis). The difference between the budgetary basis and the cash basis receipts reported in the general fund is from collected fine and forfeitures by the Hardin Municipal Court agency fund by year-end but not distributed until after year-end.

The adjustment necessary to convert the results of operations for the year on the budget basis to the cash basis are as follows:

Reconciliation of Fund Balances		
	General	Street
Ending cash basis fund balances	\$ 949,763	\$ 19,756
Receipts:		
Municipal Court receipts	(18,665)	-
Disbursements:		
Encumbrances	<u>(55,756)</u>	<u>(5,071)</u>
Ending budgetary basis balances	<u>\$ 875,342</u>	<u>\$ 14,685</u>

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City of Kenton
Hardin County
111 W Franklin Street
Kenton, Ohio 43326

To the Members of Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenton, Hardin County (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 7, 2018, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2017-001.


We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 7, 2018.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
June 7, 2018

CITY OF KENTON
HARDIN COUNTY

SCHEDULE OF FINDINGS
December 31, 2017

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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Finding Number 2017-001 – Noncompliance Citation

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

Ohio Adm. Code § 117-2-03 (B) requires all cities to file annual financial reports in accordance with generally accepted accounting principles (GAAP). The City prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the City may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The City should prepare its financial statements according to generally accepted accounting principles to provide users with more meaningful financial statements and the comply with the Ohio Revised Code and Ohio Administrative Code.

Management Response:

See Corrective Action Plan.

CITY OF KENTON
HARDIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance Finding – Ohio Rev. Code § 117.38 – The financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America.	Not corrected	Repeated as finding 2017-001

**CITY OF KENTON
HARDIN COUNTY**

**CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	City Council passed Resolution #04-003 on February 23, 2004 that stated "to be more cost efficient... That, effective fiscal year 2003, the City of Kenton will report on a cash basis as opposed to GAAP and/or GASB 34." This Resolution remains in effect and the City will continue to report on a cash basis for the foreseeable future.	N/A	Kerri McLaughlin, Chief Deputy Auditor

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Dave Yost • Auditor of State

CITY OF KENTON

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
SEPTEMBER, 27 2018