



**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Kings Local School District
Warren County
5620 Columbia Road
Kings Mill, Ohio 45034

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Kings Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kings Local School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

February 7, 2000

Kings Local School District

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

GOVERNMENTAL FUND TYPES

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,391,572	\$391,213	\$1,343,835	\$566,745
Cash and Cash Equivalents with Fiscal Agents	0	0	866	0
Receivables:				
Property Taxes	11,752,523	0	2,074,821	1,068,864
Accounts	400	89	0	0
Intergovernmental	0	0	0	0
Interfund	4,580	0	0	0
Prepaid Items	12,107	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	31,484	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	218,755	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement Of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$17,411,421</u>	<u>\$391,302</u>	<u>\$3,419,522</u>	<u>\$1,635,609</u>
 <u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$207,255	\$15,631	\$0	\$6,196
Contracts Payable	312	0	0	144,575
Accrued Wages and Benefits Payable	1,607,248	33,441	0	11,879
Compensated Absences Payable	176,081	0	0	0
Intergovernmental Payable	432,029	2,201	0	666
Interfund Payable	0	4,580	0	0
Deferred Revenue	11,335,630	0	1,989,538	1,034,941
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
Matured Interest Payable	0	0	866	0
Early Retirement Incentive Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>13,758,555</u>	<u>55,853</u>	<u>1,990,404</u>	<u>1,198,257</u>
 <u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	498,051	172,993	0	91,399
Reserved for Materials and Supplies Inventory	31,484	0	0	0
Reserved for Property Taxes	416,893	0	85,283	33,923
Reserved for Budget Stabilization	218,755	0	0	0
Undesignated	2,487,683	162,456	1,343,835	312,030
Total Fund Equity and Other Credits	<u>3,652,866</u>	<u>335,449</u>	<u>1,429,118</u>	<u>437,352</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$17,411,421</u>	<u>\$391,302</u>	<u>\$3,419,522</u>	<u>\$1,635,609</u>

The notes to the general-purpose financial statements are an integral part of this statement

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$403,418	\$48,456	\$0	\$0	\$8,145,239
0	0	0	0	866
0	0	0	0	14,896,208
0	200	0	0	689
11,751	0	0	0	11,751
0	0	0	0	4,580
0	0	0	0	12,107
39,699	0	0	0	39,699
16,985	0	0	0	48,469
0	0	0	0	218,755
112,438	0	40,423,004	0	40,535,442
0	0	0	1,429,118	1,429,118
0	0	0	18,238,834	18,238,834
<u>\$584,291</u>	<u>\$48,656</u>	<u>\$40,423,004</u>	<u>\$19,667,952</u>	<u>\$83,581,757</u>
\$16,141	\$10,308	\$0	\$0	\$255,531
674	0	0	0	145,561
104,034	0	0	0	1,756,602
56,341	0	0	643,536	875,958
78,119	0	0	171,721	684,736
0	0	0	0	4,580
30,896	0	0	0	14,391,005
0	38,348	0	0	38,348
2,683	0	0	10,863	13,546
0	0	0	0	866
0	0	0	17,046	17,046
0	0	0	660,000	660,000
0	0	0	191,604	191,604
0	0	0	17,973,182	17,973,182
<u>288,888</u>	<u>48,656</u>	<u>0</u>	<u>19,667,952</u>	<u>37,008,565</u>
0	0	40,423,004	0	40,423,004
211,211	0	0	0	211,211
84,192	0	0	0	84,192
0	0	0	0	762,443
0	0	0	0	31,484
0	0	0	0	536,099
0	0	0	0	218,755
0	0	0	0	4,306,004
<u>295,403</u>	<u>0</u>	<u>40,423,004</u>	<u>0</u>	<u>46,573,192</u>
<u>\$584,291</u>	<u>\$48,656</u>	<u>\$40,423,004</u>	<u>\$19,667,952</u>	<u>\$83,581,757</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNEMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Property Taxes	\$10,361,802	\$0	\$1,940,233	\$802,295	\$13,104,330
Intergovernmental	6,916,262	673,312	233,250	454,628	8,277,452
Interest	422,972	5,867	7,420	38,735	474,994
Tuition and Fees	4,818	0	0	0	4,818
Extracurricular Activities	0	115,909	0	0	115,909
Gifts and Donations	3,400	19,327	0	0	22,727
Rent	5,907	0	0	0	5,907
Customer Services	11,493	0	0	0	11,493
Revenue in Lieu of Taxes	212,502	0	0	0	212,502
Miscellaneous	38,542	250,447	0	60,051	349,040
<i>Total Revenues</i>	<u>17,977,698</u>	<u>1,064,862</u>	<u>2,180,903</u>	<u>1,355,709</u>	<u>22,579,172</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	9,644,803	65,313	0	363,494	10,073,610
Special	1,129,828	182,489	0	0	1,312,317
Support Services:					
Pupils	736,618	76,259	0	0	812,877
Instructional Staff	548,727	37,496	0	80,800	667,023
Board of Education	37,050	0	0	0	37,050
Administration	1,741,401	1,186	0	7,612	1,750,199
Fiscal	507,793	0	32,614	13,778	554,185
Business	43,995	0	0	0	43,995
Operation and Maintenance of Plant	2,206,341	5,652	0	384,943	2,596,936
Pupil Transportation	1,343,124	0	0	0	1,343,124
Central	131,234	0	0	0	131,234
Operation of Non-Instructional Services	2,589	220,765	0	0	223,354
Extracurricular Activities	442,327	348,477	0	50,111	840,915
Capital Outlay	0	0	0	936,483	936,483
Debt Service:					
Principal Retirement	195,289	0	1,045,000	14,740	1,255,029
Interest and Fiscal Charges	43,741	0	1,105,305	0	1,149,046
<i>Total Expenditures</i>	<u>18,754,860</u>	<u>937,637</u>	<u>2,182,919</u>	<u>1,851,961</u>	<u>23,727,377</u>
Excess of Revenues Over (Under) Expenditures	<u>(777,162)</u>	<u>127,225</u>	<u>(2,016)</u>	<u>(496,252)</u>	<u>(1,148,205)</u>
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Bonds	565,000	0	0	0	565,000
Proceeds from Sale of Fixed Assets	0	0	0	4,125	4,125
Operating Transfers In	60,000	1,846	0	0	61,846
Operating Transfers Out	(2,972)	(1,846)	0	(60,000)	(64,818)
Proceeds of Refunded Bonds	516	8,855	5,411,945	0	5,421,316
Payment to Refunded Bond Escrow Agent	0	0	(5,317,104)	0	(5,317,104)
<i>Total Other Financing Sources (Uses)</i>	<u>622,544</u>	<u>8,855</u>	<u>94,841</u>	<u>(55,875)</u>	<u>670,365</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(154,618)</u>	<u>136,080</u>	<u>92,825</u>	<u>(552,127)</u>	<u>(477,840)</u>
Fund Balances at Beginning of Year	<u>3,807,484</u>	<u>199,369</u>	<u>1,336,293</u>	<u>989,479</u>	<u>6,332,625</u>
Fund Balances at End of Year	<u>\$3,652,866</u>	<u>\$335,449</u>	<u>\$1,429,118</u>	<u>\$437,352</u>	<u>\$5,854,785</u>

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

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>GENERAL FUND</u>			<u>SPECIAL REVENUE FUNDS</u>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$10,979,396	\$10,979,396	\$0	\$0	\$0	\$0
Intergovernmental	6,922,362	6,922,362	0	673,037	673,037	0
Interest	399,510	422,742	23,232	5,867	5,867	0
Tuition and Fees	4,868	4,818	(50)	0	0	0
Extracurricular Activities	0	0	0	115,709	115,949	240
Gifts and Donations	3,400	3,400	0	19,327	19,327	0
Rent	5,907	5,907	0	0	0	0
Customer Services	11,493	11,493	0	0	0	0
Revenue in Lieu of Taxes	212,502	212,502	0	0	0	0
Miscellaneous	39,344	39,344	0	251,975	252,031	56
Total Revenues	18,578,782	18,601,964	23,182	1,065,915	1,066,211	296
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	9,420,144	9,341,670	78,474	106,875	67,035	39,840
Special	1,115,333	1,146,815	(31,482)	202,480	183,784	18,696
Other	90,001	132,950	(42,949)	0	0	0
Support Services:						
Pupils	792,144	742,571	49,573	85,884	82,968	2,916
Instructional Staff	516,673	567,580	(50,907)	61,840	49,302	12,538
Board of Education	26,540	36,991	(10,451)	0	0	0
Administration	1,729,112	1,714,525	14,587	3,150	1,186	1,964
Fiscal	518,054	512,226	5,828	0	0	0
Business	31,049	37,491	(6,442)	0	0	0
Operation and Maintenance of Plant	2,307,184	2,334,895	(27,711)	17,859	5,652	12,207
Pupil Transportation	1,520,231	1,464,417	55,814	0	0	0
Central	77,759	140,955	(63,196)	0	0	0
Operation of Non-Instructional						
Services	21,721	2,625	19,096	358,901	397,241	(38,340)
Extracurricular Activities	418,270	442,585	(24,315)	349,261	366,481	(17,220)
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	720,000	720,000	0	0	0	0
Interest and Fiscal Charges	58,003	43,741	14,262	0	0	0
Total Expenditures	19,362,218	19,382,037	(19,819)	1,186,250	1,153,649	32,601
Excess of Revenues Under Expenditures	(783,436)	(780,073)	3,363	(120,335)	(87,438)	32,897
<u>Other Financing Sources (Uses):</u>						
Other Financing Sources	517	517	0	8,855	8,855	0
Proceeds From Sale of Bonds	565,000	565,000	0	0	0	0
Proceeds From Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	4,866	4,866	0	500	500	0
Refund of Prior Year Receipts	0	0	0	(244)	(436)	(192)
Advances In	271,163	271,163	0	4,580	4,580	0
Advances Out	(15,000)	(4,580)	10,420	(9,064)	(9,064)	0
Operating Transfers In	0	0	0	1,846	1,846	0
Operating Transfers Out	0	(2,972)	(2,972)	(870)	(1,846)	(976)
Total Other Financing Sources (Uses)	826,546	833,994	7,448	5,603	4,435	(1,168)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	43,110	53,921	10,811	(114,732)	(83,003)	31,729
Fund Balances at Beginning of Year	4,639,966	4,639,966	0	154,592	154,592	0
Prior Year Encumbrances Appropriated	355,421	355,421	0	136,324	136,324	0
Fund Balances at End of Year	\$5,038,497	\$5,049,308	\$10,811	\$176,184	\$207,913	\$31,729

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

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,021,111	\$2,021,111	\$0	\$845,602	\$845,602	\$0	\$13,846,109	\$13,846,109	\$0
233,250	233,250	0	454,628	454,628	0	8,283,277	8,283,277	0
0	7,420	7,420	36,975	38,735	1,760	442,352	474,764	32,412
0	0	0	0	0	0	4,868	4,818	(50)
0	0	0	0	0	0	115,709	115,949	240
0	0	0	0	0	0	22,727	22,727	0
0	0	0	0	0	0	5,907	5,907	0
0	0	0	0	0	0	11,493	11,493	0
0	0	0	0	0	0	212,502	212,502	0
0	0	0	60,151	60,151	0	351,470	351,526	56
<u>2,254,361</u>	<u>2,261,781</u>	<u>7,420</u>	<u>1,397,356</u>	<u>1,399,116</u>	<u>1,760</u>	<u>23,296,414</u>	<u>23,329,072</u>	<u>32,658</u>
0	0	0	734,375	389,894	344,481	10,261,394	9,798,599	462,795
0	0	0	0	0	0	1,317,813	1,330,599	(12,786)
0	0	0	0	0	0	90,001	132,950	(42,949)
0	0	0	0	0	0	878,028	825,539	52,489
0	0	0	4,145	68,255	(64,110)	582,658	685,137	(102,479)
0	0	0	0	0	0	26,540	36,991	(10,451)
0	0	0	40,486	8,612	31,874	1,772,748	1,724,323	48,425
15,000	32,614	(17,614)	2,600	13,778	(11,178)	535,654	558,618	(22,964)
0	0	0	0	0	0	31,049	37,491	(6,442)
0	0	0	1,151,229	499,838	651,391	3,476,272	2,840,385	635,887
0	0	0	0	0	0	1,520,231	1,464,417	55,814
0	0	0	0	0	0	77,759	140,955	(63,196)
0	0	0	0	0	0	0	0	0
0	0	0	500	0	500	381,122	399,866	(18,744)
0	0	0	115,995	45,896	70,099	883,526	854,962	28,564
0	0	0	252,983	861,400	(608,417)	252,983	861,400	(608,417)
6,085,000	6,085,000	0	60,000	74,740	(14,740)	6,865,000	6,879,740	(14,740)
1,367,281	1,381,543	(14,262)	2,948	0	2,948	1,428,232	1,425,284	2,948
<u>7,467,281</u>	<u>7,499,157</u>	<u>(31,876)</u>	<u>2,365,261</u>	<u>1,962,413</u>	<u>402,848</u>	<u>30,381,010</u>	<u>29,997,256</u>	<u>383,754</u>
<u>(5,212,920)</u>	<u>(5,237,376)</u>	<u>(24,456)</u>	<u>(967,905)</u>	<u>(563,297)</u>	<u>404,608</u>	<u>(7,084,596)</u>	<u>(6,668,184)</u>	<u>(351,096)</u>
373,763	373,763	0	0	0	0	383,135	383,135	0
5,038,182	5,038,182	0	0	0	0	5,603,182	5,603,182	0
0	0	0	4,465	4,465	0	4,465	4,465	0
0	0	0	0	0	0	5,366	5,366	0
0	0	0	0	0	0	(244)	(436)	(192)
0	0	0	0	0	0	275,743	275,743	0
0	0	0	(262,099)	(262,099)	0	(286,163)	(275,743)	10,420
0	0	0	0	0	0	1,846	1,846	0
0	0	0	0	0	0	(870)	(4,818)	(3,948)
<u>5,411,945</u>	<u>5,411,945</u>	<u>0</u>	<u>(257,634)</u>	<u>(257,634)</u>	<u>0</u>	<u>5,986,460</u>	<u>5,992,740</u>	<u>6,280</u>
199,025	174,569	(24,456)	(1,225,539)	(820,931)	404,608	(1,098,136)	(675,444)	422,692
1,170,132	1,170,132	0	525,048	525,048	0	6,489,738	6,489,738	0
0	0	0	769,248	769,248	0	1,260,993	1,260,993	0
<u>\$1,369,157</u>	<u>\$1,344,701</u>	<u>(\$24,456)</u>	<u>\$68,757</u>	<u>\$473,365</u>	<u>\$404,608</u>	<u>\$6,652,595</u>	<u>\$7,075,287</u>	<u>\$422,692</u>

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Operating Revenues:

Tuition	\$757,266
Sales	763,234
Other Operating Revenues	<u>2,267</u>
<i>Total Operating Revenues</i>	<u>1,522,767</u>

Operating Expenses:

Salaries	839,539
Fringe Benefits	238,702
Purchased Services	11,052
Materials and Supplies	187,448
Cost of Sales	341,248
Depreciation	38,115
Other Operating Expenses	<u>31,276</u>
<i>Total Operating Expenses</i>	<u>1,687,380</u>

Operating Loss (164,613)

Non-Operating Revenues:

Federal Donated Commodities	45,271
Federal and State Subsidies	99,231
Interest	5,757
Other Non-Operating Revenues	<u>1,177</u>
<i>Total Non-Operating Revenues</i>	<u>151,436</u>

Loss before Operating Transfers (13,177)

Operating Transfers In 2,972

Net Loss (10,205)

Retained Earnings at Beginning of Year 94,397

Retained Earnings at End of Year 84,192

Contributed Capital at Beginning and End of Year 211,211

Total Fund Equity at End of Year \$295,403

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

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Tuition	\$742,519	\$757,266	\$14,747
Sales	762,818	763,234	416
Other Revenues	3,444	3,444	0
Federal and State Subsidies	99,814	99,814	0
Interest	4,985	5,689	704
<i>Total Revenues</i>	<u>1,613,580</u>	<u>1,629,447</u>	<u>15,867</u>
<u>Expenses:</u>			
Salaries	743,500	793,360	(49,860)
Fringe Benefits	216,740	320,648	(103,908)
Purchased Services	26,883	13,916	12,967
Materials and Supplies	451,761	542,005	(90,244)
Other	27,551	47,697	(20,146)
Capital Outlay	6,600	5,084	1,516
<i>Total Expenses</i>	<u>1,473,035</u>	<u>1,722,710</u>	<u>(249,675)</u>
Excess of Revenues Over (Under) Expenses Before Transfers	140,545	(93,263)	(233,808)
Operating Transfers - In	<u>2,972</u>	<u>2,972</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses and Transfers	143,517	(90,291)	(233,808)
Fund Equity at Beginning of Year	317,630	317,630	0
Prior Year Encumbrances Appropriated	<u>35,378</u>	<u>35,378</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$496,525</u></u>	<u><u>\$262,717</u></u>	<u><u>(\$233,808)</u></u>

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

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$1,520,500
Other Operating Revenues	2,267
Cash Payments to Suppliers for Goods and Services	(487,761)
Cash Payments to Employees for Services and Benefits	(1,057,986)
Other Non-Operating Revenues	1,177
Other Operating Expenses	<u>(29,713)</u>
Net Cash Used In Operating Activities	<u>(51,516)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies	99,814
Operating Transfers In	<u>2,972</u>
Net Cash Provided By Noncapital Financing Activities	<u>102,786</u>

Cash Flows from Capital and Related Financing Activities:

Principal Paid on Capital Lease	(1,533)
Acquisition of Capital Assets	<u>(5,084)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(6,617)</u>

Cash Flows from Investing Activities:

Interest	<u>5,757</u>
Net Cash Provided By Investing Activities	<u>5,757</u>

Net Increase in Cash and Cash Equivalents	50,410
Cash and Cash Equivalents at Beginning of Year	<u>353,008</u>
Cash and Cash Equivalents at End of Year	<u><u>\$403,418</u></u>

Reconciliation of Operating Loss to Net

Cash Used In Operating Activities:

Operating Loss	(\$164,613)
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Adjustments to Reconcile Operating

Loss to Net Cash Used In Operating Activities

Depreciation	38,115
Donated Commodities Received	45,271
Other Non-Operating Revenues Received	1,177
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	1,563
Increase in Inventory Held for Resale	(90)
Increase in Materials and Supplies Inventory	(1,647)
Increase in Accounts Payable	7,775
Increase in Contracts Payable	674
Increase in Accrued Wages and Benefits Payable	19,607
Increase in Compensated Absences Payable	10,761
Decrease in Intergovernmental Payable	<u>(10,109)</u>
Net Cash Used In Operating Activities	<u><u>(\$51,516)</u></u>

The notes to the general-purpose financial statements are an integral part of this statement

NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in the 1950's through the consolidation of existing land areas and school districts. The School District serves an area of approximately 23 square miles. It is located in Warren County, and includes portions of Deerfield and Union Townships. The School District is staffed by 159 non-certificated employees, 213 certificated full-time teaching personnel and 21 administrative employees who provide services to 3,545 students and other community members. The School District currently operates 6 instructional buildings and 1 garage.

Reporting Entity:

A reporting entity is composed of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Kings Local School District, this includes general operations, food service, preschool, latchkey, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The following potential component units have been excluded from the School District's financial statements because the District is not financially accountable for them nor are the entities fiscally dependent on the District:

City of Mason
Parochial Schools
Parent Teacher Organizations

The School District is associated with four organizations, three of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations include the Southwestern Ohio Computer Association, the Warren County Career Center, the Southwestern Ohio Instructional Technology Association and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19 and 20 to the general-purpose financial statements.

The financial statements of the Kings Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type:

The fiduciary fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, interfund, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 which are intended to finance fiscal year 2000 operations and delinquent property taxes, whose availability is indeterminable, have been recorded as deferred revenue.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. 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 resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Warren County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures 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 July 1, the certificate is amended to include any unencumbered cash 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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, no supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "Cash and Cash Equivalents with Fiscal Agent" and represents deposits.

During fiscal year 1999, investments were limited to repurchase agreements and STAR Ohio. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$422,972, which includes \$141,935 assigned from other School District funds. The Board of Education has passed a resolution to allow interest to also be reported in the auxiliary services special revenue fund, the debt service fund, the permanent improvement capital projects fund, and the building capital projects fund. Interest in these funds amounted to \$5,867, \$7,420, \$33,029, and \$5,706, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, non-food supplies and school supplies held for resale and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Program

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Entry Year Grant
Family and School Partnership Grant
Professional Development Block Grant
Education Management Information Systems
Dwight D. Eisenhower
Textbooks/Instructional Materials Subsidy
Title I
Title VI
Title VI-B
Drug-Free Schools
Child Care Grant
School to Work Grant

Enterprise Funds

Federal Preschool-Handicapped

Capital Projects Funds

School Net
School Net Plus

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 37 percent of governmental revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after five years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have used current available financial resources. General obligation bonds, capital leases, the early retirement incentive, and long-term loans are reported as a liabilities of the general long-term obligations account group until due.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property taxes, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources to be set-aside by the School District to create a reserve for budget stabilization. See Note 24 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. There was no change in contributed capital during fiscal year 1999.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1992, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

Q. Total Columns on General-purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had fund balance/retained earnings deficits at June 30, 1999:

Special Revenue Funds:

Title I	\$6,518
Drug Free Grant	4,644

Capital Projects Fund:

Building Fund	31,210
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Enterprise Fund:

Preschool Grant	24,027
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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

The deficits in the special revenue funds and capital projects funds resulted from the application of generally accepted accounting principles. The general fund is liable for any deficits in these funds and provides operating transfers when cash is needed rather than when accruals occur. The deficit in the enterprise fund is a result of tuition fees not covering operational cost. The School District will continue to monitor this deficit and raise the tuition so that the deficit will be eliminated.

B. Compliance

The general, special revenue, bond retirement, capital projects and enterprise funds had excesses of expenditures plus encumbrances over appropriations at the fund, function and object level, which is the legal level of budgetary control adopted by the Board of Education. A sample follows:

General Fund:	Appropriations	Expenditures	Excess
Regular Instruction:			
Materials and Supplies	\$381,252	\$382,816	(\$1,564)

NOTE 4 - RESTATEMENT OF BALANCE

Due to a revaluation of assets, fixed assets in the general fixed assets account group decreased by \$851,786, from \$39,611,469 to \$38,759,683 as of June 30, 1998.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Payments to bond escrow accounts and proceeds from refunded bonds were recorded on a GAAP basis and not recorded on a budgetary basis.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

6. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$154,618)	\$136,080	\$92,825	(\$552,127)
Revenue Accruals	629,133	1,849	455,507	43,747
Expenditure Accruals	472,162	(33,148)	94,841	42,928
Proceeds from Refunded Bonds	0	0	(5,785,708)	0
Prepaid Items	(6,182)	0	0	0
Principal Payment	(532,368)	0	0	(60,000)
Transfers	(60,000)	0	0	60,000
Advances - In	271,163	4,580	0	0
Advances - Out	(4,580)	(9,064)	0	(262,099)
Payment to Bond Escrow Agent	0	0	5,317,104	0
Encumbrances	(560,789)	(183,300)	0	(93,380)
Budget Basis	<u>\$53,921</u>	<u>(\$83,003)</u>	<u>\$174,569</u>	<u>(\$820,931)</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Loss/Excess of Revenues Under Expenses
All Enterprise Funds

GAAP Basis	(\$10,205)
Revenue Accruals	515
Expense Accruals	25,264
Capital Outlay	(5,084)
Materials and Supplies Inventory	1,647
Inventory Held for Resale	90
Depreciation	38,115
Encumbrances	<u>(140,633)</u>
Budget Basis	<u><u>(\$90,291)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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, but not limited to, passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

State Statute permits interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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;

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the School District had \$500 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the School District's deposits was (\$49,088) and the bank balance was \$2,519,595. Of the bank balance:

1. \$241,547 was covered by federal depository insurance; and
2. \$2,278,048 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Periodically during the year, the School District has invested in overnight repurchase agreements which were collateralized with the federal agency mortgage-backed securities. On June 30, 1999, the School District has \$2,271,580 of such securities classified as cash. The Ohio Attorney General will be reviewing these investments to determine if they are lawful public office investments under the Ohio Revised Code Chapter 135. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Unclassified	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$0	\$2,271,580	\$2,271,580	\$2,317,012
Star Ohio	6,141,868	0	6,141,868	6,141,868
Total	<u>\$6,141,868</u>	<u>\$2,271,580</u>	<u>\$8,413,448</u>	<u>\$8,458,880</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$8,364,860	\$0
Cash on Hand	(500)	0
Investments:		
Repurchase Agreement	(2,271,580)	2,271,580
STAR Ohio	(6,141,868)	6,141,868
GASB Statement 3	<u>(\$49,088)</u>	<u>\$8,413,448</u>

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 7 - PROPERTY TAXES (Continued)

Real property taxes for 1999 are levied after April 1, 1999, on the assessed value listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. Public utility property taxes for 1999 became a lien on December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

Tangible personal property taxes for 1999 are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Warren County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$416,893 in the general fund, \$85,283 in the debt service fund, and \$33,923 in the permanent improvement fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$351,046,110	85.46%	\$364,223,990	84.28%
Public Utility	21,958,350	5.34	22,253,760	5.15
Tangible Personal Property	<u>37,774,797</u>	<u>9.20</u>	<u>45,702,587</u>	<u>10.57</u>
Total Assessed Value	<u><u>\$410,779,257</u></u>	<u><u>100.00%</u></u>	<u><u>\$432,180,337</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$52.48		\$52.48	

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds. The lunchroom enterprise fund had an intergovernmental receivable in the amount of \$11,751 for federal and state subsidies for breakfast and lunches.

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$636,859
Less: Accumulated Depreciation	<u>(524,421)</u>
Net Fixed Assets	<u><u>\$112,438</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Restated Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land and Improvements	\$4,614,752	\$700,000	\$0	\$5,314,752
Buildings and Improvements	28,694,878	0	0	28,694,878
Furniture, Fixtures and Equipment	3,322,121	800,991	0	4,123,112
Vehicles	<u>2,127,932</u>	<u>162,330</u>	<u>0</u>	<u>2,290,262</u>
Totals	<u><u>\$38,759,683</u></u>	<u><u>\$1,663,321</u></u>	<u><u>\$0</u></u>	<u><u>\$40,423,004</u></u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for fleet insurance and liability insurance. Property is protected by Indiana Insurance.

Coverages provided by Nationwide Insurance and Indiana Insurance are as follows:

Building and Contents - replacement cost (\$1,00 deductible)	\$46,555,311
Boiler and Machinery (\$250 deductible)	4,000,000
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	2,000,000
Uninsured Motorists (\$250 deductible)	300,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage since last year.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$275,360, \$276,349 and \$394,728 respectively; 43.39 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$155,889 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$519,765, \$905,939 and \$1,125,237, respectively; 80.72 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$100,224 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$693,020 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$264,441.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel except administrators who can accrue up to a maximum of 260 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52.50 days for all employees except administrators who can receive a maximum of 130 days. This criteria is used for all employees who have a minimum of five years and no more than eleven years of service with the School District. For all employees who have been with the School District a minimum of twelve or more years, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 70 days for all employees except administrators who can receive a maximum of 130 days.

B. Health Care Benefits

The School District provides medical/surgical benefits through Choice Care. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on the terms of the union contract.

C. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

D. Early Retirement Incentive

During fiscal year 1996 and 1997, the School District offered an early retirement incentive to those certified employees who submitted a letter to the Superintendent and Treasurer by June 30 of the respective year and who were eligible to retire under the State Teachers Retirement System. A teacher electing to participate was to receive his/her severance payment in three consecutive payments, each in January, with the first paid in January immediately following the year of retirement. Fiscal year 2000 will be when the last payment is made. The liability for the incentive is shown in the general long-term obligations account group.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Amount Outstanding 6/30/98	Additions	Deductions	Amount Outstanding 6/30/99
School Improvement Bond 1978 6.25%	\$20,000	\$0	\$20,000	\$0
School Improvement Bond 1979 6.75%	20,000	0	10,000	10,000
School Improvement Bond 1979 6.25%	60,000	0	30,000	30,000
School Improvement Bond 1980 8.00%	60,000	0	20,000	40,000
School Improvement Bond 1981 11.625%	30,000	0	5,000	25,000
School Improvement Bond 1989 6.70%	5,040,000	0	5,040,000	0
School Improvement Bond 1994 6.70%	1,300,000	0	100,000	1,200,000
School Improvement Bond 1995 5.86%	12,490,000	0	485,000	12,005,000
School Improvement Bond 1998 4.45%	0	5,038,182	375,000	4,663,182
EPA Asbestos Loan 1993 0.00%	206,344	0	14,740	191,604
Energy Conservation Loan 1993 4.65%	230,000	0	35,000	195,000
Energy Conservation Loan 1998 4.20%	0	565,000	100,000	465,000
Total Long-Term Bonds and Loans	<u>19,456,344</u>	<u>5,603,182</u>	<u>6,234,740</u>	<u>18,824,786</u>
Capital Leases	18,520	0	7,657	10,863
Intergovernmental Payable	193,053	171,721	193,053	171,721
Early Retirement Incentive	69,678	0	52,632	17,046
Compensated Absences	<u>833,893</u>	<u>0</u>	<u>190,357</u>	<u>643,536</u>
Total General Long-Term Obligations	<u><u>\$20,571,488</u></u>	<u><u>\$5,774,903</u></u>	<u><u>\$6,678,439</u></u>	<u><u>\$19,667,952</u></u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

A. School Improvement Bonds

On various occasions, Kings Local School District issued general obligation bonds for the purpose of additions and improvements to school buildings in the School District. The maturity dates of the bonds range from 1999 to 2022. The interest rates vary from 4.20% to 11.625%. The bonds are being paid from the general fund, debt service fund and the permanent improvement capital project fund.

Advance Refunding: On July 9, 1998, the School District issued \$5,038,182 in general obligation bonds with an average interest rate of 4.30 percent to advance refund \$5,040,000 of outstanding 1989 series bonds with an average interest rate of 6.90 percent. The School District received proceeds of \$5,411,945, which included a premium of \$373,763. \$5,318,838 (after payment of \$90,345 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Series bonds. As a result, the 1989 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term obligations account group.

The School District advance refunded the 1989 Series bonds during fiscal year 1999 to reduce its total debt service payments over the next 17 years by almost \$454,349 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$346,061.

B. Energy Conservation Loans

On December 1, 1993 Kings Local School District issued a loan in the amount of \$355,000 for the purpose of providing energy conservation measures for the School District, under the authority of the Ohio Revised Code. The \$355,000 loan was issued for a ten year period with final maturity during fiscal year 2004. The loan is being paid from the general fund.

On July 9, 1998 Kings Local School District issued a loan in the amount of \$565,000 for the purpose of providing energy conservation measures for the School District, under the Authority of the Ohio Revised Code. The \$565,000 loan was issued for a five year period with final maturity during fiscal year 2004. The loan is being paid from the general fund and the permanent improvement capital projects fund.

C. EPA Asbestos Loan

On May 18, 1993, Kings Local School District obtained a loan in the amount of \$265,298 for the purpose of providing asbestos removal for the School District, under the authority of the Ohio Revised Code. The loan was issued for a twenty year period with final maturity during fiscal year 2012. The loan is being paid from the permanent improvement capital projects fund.

D. Other Long-Term Obligations

Compensated absences, the early retirement incentive, and the intergovernmental payable which represents contractually required pension contributions paid outside the available period, will be paid from the fund from which the employees' salaries are paid. Capital lease obligations will be paid from the general fund and latchkey enterprise fund, the funds that maintain custody of the related assets.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Changes in the long-term obligations reported in the latchkey enterprise fund during fiscal year 1999 were as follows:

	<u>Amount Outstanding 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/99</u>
Enterprise Fund:				
Capital Leases	\$4,216	\$0	\$1,533	\$2,683

The School District's overall legal debt margin was \$22,352,166, the energy conservation loan debt margin was \$3,229,623 and the unvoted debt margin was \$432,180 at June 30, 1999.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 1999, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$1,210,000	\$992,050	\$2,202,050
2001	1,345,000	908,654	2,253,654
2002	570,000	858,414	1,428,414
2003	575,000	831,522	1,406,522
2004	595,000	804,427	1,399,427
2005-2009	4,193,536	3,859,646	8,053,182
2010-2014	2,334,646	2,964,180	5,298,826
2015-2019	3,625,000	1,579,890	5,204,890
2020-2022	3,525,000	303,463	3,828,463
Total	<u>\$17,973,182</u>	<u>\$13,102,246</u>	<u>\$31,075,428</u>

Principal and interest requirements to retire energy conservation loans outstanding at June 30, 1999, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$160,000	\$25,181	\$185,181
2001	130,000	19,050	149,050
2002	115,000	13,759	128,759
2003	105,000	8,944	113,944
2004	100,000	4,404	104,404
2005	50,000	1,088	51,088
Total	<u>\$660,000</u>	<u>\$72,426</u>	<u>\$732,426</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal requirements to retire the EPA asbestos loan outstanding at June 30, 1999, is as follows:

Fiscal year Ending June 30,	Principal
2000	\$14,739
2001	14,739
2002	14,739
2003	14,739
2004	14,739
2005-2009	73,695
2010-2012	44,214
Total	\$191,604

NOTE 15 - SHORT-TERM OBLIGATIONS

The change in the School District's short-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Energy Conservation Loan 1997 4.45%	\$645,000	\$0	\$645,000	\$0

NOTE 16 - INTERFUND RECEIVABLES/PAYABLES

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$4,580	\$0
Special Revenue Fund:		
Drug Free Grant	0	4,580

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 17 - CAPITAL LEASES - LESSEE DISCLOSURE

In the past, the School District had entered into capitalized leases for two copiers and musical equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments made from governmental funds have been reclassified and are reflected as debt service expenditures in the combined financial statements. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of two copiers have been capitalized in the general fixed assets account group in the amount of \$22,972. One copier has been capitalized in the latchkey enterprise fund. The original amount recorded was \$4,600, accumulated depreciation is \$920, and the carrying value of this leased asset is \$3,680. The amount in the general fixed assets account group represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$7,657 in the general fund and \$1,533 in the latchkey enterprise fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTOAG	Enterprise
2000	\$7,657	\$1,533
2001	3,206	1,150
Total	<u>\$10,863</u>	<u>\$2,683</u>

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains four enterprise funds to account for the operations of the food service, uniform school supplies, preschool, and latchkey. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Kings Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Preschool	Latchkey	Total
Operating Revenues	\$634,327	\$129,507	\$205,167	\$553,766	\$1,522,767
Depreciation Expense	31,973	0	3,091	3,051	38,115
Operating Income (Loss)	(153,056)	3,468	(65,318)	50,293	(164,613)
Net Non-Operating Revenues Excluding Federal and State Subsidies	52,205	0	0	0	52,205
Federal and State Subsidies	88,077	0	11,154	0	99,231
Operating Transfers	2,972	0	0	0	2,972
Net Income (Loss)	(9,802)	3,468	(29,507)	25,636	(10,205)
Net Working Capital	76,988	27,921	(42,109)	167,398	230,198
Total Assets	193,468	37,374	52,955	300,494	584,291
Fixed Asset Acquisition	0	0	0	5,084	5,084
Long-Term Liabilities Payable From Revenue	27,695	0	19,538	0	47,233
Total Equity	51,601	27,921	(24,027)	239,908	295,403
Encumbrances at June 30, 1999	\$50,230	\$29,337	\$1,167	\$59,899	\$140,633

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Area Computer Association - The School District is a participant in the Southwestern Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Warren, Preble, and Butler Counties and involves all Cities that have school districts within these Counties.

The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of SWOCA is governed by a board of directors consisting of one representative from each of the participating members. The School District paid SWOCA \$31,337 for services provided during the year. Financial information can be obtained from Michael Crumley, who serves as Director, at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Warren County Career Center - The Warren County Career Center is a distinct political subdivision of the State of Ohio. It is operated under the direction of a Board consisting of one of the elected board members from each of the participating school districts. Warren County Career Center was formed for the purpose of providing vocational education opportunities to the students of the School District. During fiscal year 1999, the School District did not make any contributions to the Warren County Career Center. Financial information can be obtained from Bill Shepherd, who serves as director, at 3525 State Route 48, Lebanon, Ohio 45036.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties shall elect two representative per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after nominating committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 1999, the School District paid \$1,234 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 20 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 21 - SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,711,553 of basic school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County had reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of February 7, 2000, the Ohio Supreme Court has not rendered an opinion on this issue.

The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District does not have any pending litigation.

NOTE 23 - SUBSEQUENT EVENTS

In August 1999, the School District issued \$2,500,000 in bonds and \$21,000,000 in notes pursuant to the tax levy passed in May, 1999. The money is being used to build two new buildings and to renovate older buildings.

NOTE 24 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for capital acquisition. Amounts not spent by year-end or offset by similarly restricted resources received during the year, must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 24 - SET-ASIDE CALCULATIONS (Continued)

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional materials, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$68,098	\$68,098
Current Year Set-aside Requirement	293,653	293,653	146,826	734,132
Workers' Compensation Refund	0	0	3,831	3,831
Current Year Offsets	(51,844)	0	0	(51,844)
Qualifying Disbursements	(356,932)	(960,000)	0	(1,316,932)
Total	<u>(\$115,123)</u>	<u>(\$666,347)</u>	<u>\$218,755</u>	<u>(\$562,715)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$218,755</u>	<u>\$218,755</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for textbooks and instructional materials and capital acquisitions to below zero, the extra amounts may not be used to reduce the set-aside requirements of future years. The negative amounts for textbooks and instructional materials and capital acquisitions are therefore not presented as being carried forward to the next fiscal year.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity's Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster Food Distribution Program	10.550	None	\$0	\$55,329	\$0	\$45,271
School Breakfast Program	10.553	05PU-98/99	5,270	0	5,270	0
National School Lunch Program	10.555	03PU-98/99 04PU-98/99	36,145 43,489	0 0	36,145 43,489	0 0
Total National School Lunch Program			<u>79,634</u>	<u>0</u>	<u>79,634</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			84,904	55,329	84,904	45,271
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	84.027	6BSF-99	110,504	0	94,752	0
Special Education - Preschool Grant	84.173	PGS1-99	<u>11,154</u>	<u>0</u>	<u>10,333</u>	<u>0</u>
Total Special Education Cluster			121,658	0	105,085	0
Grants to Local Educational Agencies (ESEA Title I)	84.010	C1S1-98/99	144,820	0	139,063	0
Innovative Educational Program Strategies	84.298	C2S1-99	29,715	0	15,496	0
Drug-Free Schools Grant	84.186	DRS1-99	10,594	0	21,387	0
Eisenhower Professional Development Grant	84.281	MSS1-99	10,021	0	11,367	0
<i>Passed Through Ohio Department of Education:</i> Goals 2000 Grant	84.276	G2-A2-99	<u>1,503</u>	<u>0</u>	<u>1,503</u>	<u>0</u>
Total Department of Education			<u>318,311</u>	<u>0</u>	<u>293,901</u>	<u>0</u>
U.S. DEPARTMENT OF LABOR AND U.S. DEPT. OF ED.						
<i>Passed Through Miami University</i>						
Ohio School To Work Grant	17.249	none	<u>7,698</u>	<u>0</u>	<u>7,698</u>	<u>0</u>
Total Expenditures of Federal Awards			<u>\$410,913</u>	<u>\$55,329</u>	<u>\$386,503</u>	<u>\$45,271</u>

The notes to the schedule of federal awards expenditures is an integral part of this statement

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Kings Local School District
Warren County
5620 Columbia Road
Kings Mill, Ohio 45034

To the Board of Education:

We have audited the financial statements of Kings Local School District, Warren County, Ohio (the District) as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated February 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10483-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 7, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Kings Local School District
Warren County
Report of Independent Accountants on Compliance and on
Internal Control Required by Government Auditing Standards
Page 2

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 7, 2000.

This report is intended for the information of management, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

February 7, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kings Local School District
Warren County
5620 Columbia Road
Kings Mill, Ohio 45034

To the Board of Education:

Compliance

We have audited the compliance of Kings Local School District, Warren County, Ohio (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Kings Local School District, Warren County, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

February 7, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 / N/A Type B: all programs
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)

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

FINDING NUMBER 1999-10483-001

Ohio Rev. Code, Section 5705.41(D), does not allow an order or contract to be entered into without the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. Ohio Revised Code, Section 5705.41(B), prohibits a District from making any expenditure of money unless it has been properly appropriated. The sum of the District's expenditures and encumbrances in the Latchkey/Preschool Fund exceeded appropriations by \$171,028. This amount exceeds appropriations by 11% in the Enterprise Fund Type and by 26% of the Latchkey/Preschool Fund's appropriations.

However, this did not result in a negative cash fund balance for this fund.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	N/A
CFDA Title and Number	N/A
Federal Award Number / Year	N/A
Federal Agency	N/A
Pass-Through Agency	N/A



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KINGS LOCAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 14, 2000**