



Dave Yost • Auditor of State



**KINGS LOCAL SCHOOL DISTRICT  
BUTLER COUNTY**

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BUTLER COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Kings Local School District  
Warren County  
1797 King Avenue  
Kings Mills, Ohio 45034

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kings Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kings Local School District, Warren County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 25, 2014

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**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

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The discussion and analysis of Kings Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the Notes to the Basic Financial Statements and financial statements to enhance their understanding of the School District's performance.

### **Financial Highlights**

Key financial highlights for 2013 are as follows:

- In total, net position increased \$1,855,205. Net position of governmental activities increased \$1,877,597, and net position of business-type activities decreased \$22,392 from fiscal year 2012. The increase in net position of governmental activities was due to a decrease in operating expenses.
- Total assets of governmental activities decreased by \$595,110 due mainly to a large decrease in capital assets of \$1,665,324.
- General revenues of governmental activities accounted for \$45,270,949 in revenue or 93 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,330,581 or seven percent of total revenues of \$48,601,530.

### **Using this Basic Financial Statement Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and Debt Service Fund are the major funds of the School District.

### **Reporting the School District as a Whole**

#### *Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources, using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

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These two statements report the School District's net position and changes to the net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

### **Reporting the School District's Most Significant Funds**

#### ***Fund Financial Statements***

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

### **Reporting the School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

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

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
(Unaudited)

(Table 1)

**Net Position**

	Governmental Activities		Business-Type Activity		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other Assets	\$45,337,726	\$44,267,512	\$463,115	\$401,187	\$45,800,841	\$44,668,699
Capital Assets, Net	50,562,723	52,228,047	271,607	316,410	50,834,330	52,544,457
<b>Total Assets</b>	<b>95,900,449</b>	<b>96,495,559</b>	<b>734,722</b>	<b>717,597</b>	<b>96,635,171</b>	<b>97,213,156</b>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding	4,515,163	0	0	0	4,515,163	0
<b>Liabilities</b>						
Other Liabilities	3,949,008	4,067,211	180,789	171,000	4,129,797	4,238,211
Long-Term Liabilities	61,341,526	57,308,524	168,617	138,888	61,510,143	57,447,412
<b>Total Liabilities</b>	<b>65,290,534</b>	<b>61,375,735</b>	<b>349,406</b>	<b>309,888</b>	<b>65,639,940</b>	<b>61,685,623</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	23,566,430	25,390,550	0	0	23,566,430	25,390,550
Revenue in Lieu of Taxes	1,256,799	1,251,022	0	0	1,256,799	1,251,022
<b>Total Deferred Inflows of Resources</b>	<b>24,823,229</b>	<b>26,641,572</b>	<b>0</b>	<b>0</b>	<b>24,823,229</b>	<b>26,641,572</b>
<b>Net Position</b>						
Net Investment in Capital Assets	(1,351,207)	272,394	271,607	316,410	(1,079,600)	588,804
Restricted	4,468,321	2,933,787	0	0	4,468,321	2,933,787
Unrestricted (Deficit)	7,184,735	5,218,071	113,709	91,299	7,298,444	5,309,370
<b>Total Net Position</b>	<b>\$10,301,849</b>	<b>\$8,424,252</b>	<b>\$385,316</b>	<b>\$407,709</b>	<b>\$10,687,165</b>	<b>\$8,831,961</b>

For governmental activities, total assets decreased \$595,110. Current and other assets increased \$1,070,214 due to cash and cash equivalents. Cash and cash equivalent increased due to the School District's ability to keep expenses below decreasing revenues. Capital assets decreased \$1,665,324 due to depreciation exceeding additions during the fiscal year. Total deferred outflows of resources increased \$4,515,163 due to the refunding of debt.

For governmental liabilities, total liabilities increased \$3,914,799. Long-term liabilities increased \$4,033,002 largely due to current year debt service payments. Total deferred inflows of resources decreased \$1,818,343 due to a reduction in property taxes.

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
(Unaudited)

Total net position of the School District's business-type activities decreased \$22,393. The most significant change in business-type activities was in the Food Service Fund.

Table 2 shows the change in net position for fiscal year 2013 as compared to fiscal year 2012.

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$1,243,379	\$1,021,345	\$1,923,491	\$1,913,448	\$3,166,870	\$2,934,793
Operating Grants	2,087,202	2,513,309	462,169	486,533	2,549,371	2,999,842
General Revenues:						
Property Taxes	29,543,300	26,970,679	0	0	29,543,300	26,970,679
Grants and Entitlements	12,816,972	13,267,847	0	0	12,816,972	13,267,847
Other	2,910,677	2,339,565	10,380	3,565	2,921,057	2,343,130
Total Revenues	<u>48,601,530</u>	<u>46,112,745</u>	<u>2,396,040</u>	<u>2,403,546</u>	<u>50,997,570</u>	<u>48,516,291</u>
Expenses:						
Instruction	24,753,309	23,422,557	0	0	24,753,309	23,422,557
Support Services:						
Pupil and Instructional Staff	3,766,452	3,621,203	0	0	3,766,452	3,621,203
School Administration, Board of Education, Fiscal, and Business	4,355,096	4,773,692	0	0	4,355,096	4,773,692
Operation and Maintenance	5,510,826	5,679,855	0	0	5,510,826	5,679,855
Pupil Transportation	3,304,281	3,209,251	0	0	3,304,281	3,209,251
Central	245,288	262,560	0	0	245,288	262,560
Operation of Non-Instructional Services	648,611	454,284	0	0	648,611	454,284
Extracurricular Activities	1,386,236	1,657,618	0	0	1,386,236	1,657,618
Interest and Fiscal Charges	2,753,834	2,605,515	0	0	2,753,834	2,605,515
Food Service	0	0	1,384,120	1,294,367	1,384,120	1,294,367
Preschool/Latchkey	0	0	1,017,950	867,879	1,017,950	867,879
Preschool Grant	0	0	16,362	34,176	16,362	34,176
Total Expenses	<u>46,723,933</u>	<u>45,686,535</u>	<u>2,418,432</u>	<u>2,196,422</u>	<u>49,142,365</u>	<u>47,882,957</u>
Change in Net Position	1,877,597	426,210	(22,392)	207,124	1,855,205	633,334
Beginning Net Position	<u>8,424,252</u>	<u>7,998,042</u>	<u>407,709</u>	<u>200,585</u>	<u>8,831,961</u>	<u>8,198,627</u>
Ending Net Position	<u>\$10,301,849</u>	<u>\$8,424,252</u>	<u>\$385,317</u>	<u>\$407,709</u>	<u>\$10,687,166</u>	<u>\$8,831,961</u>

**Governmental Activities**

The School District's revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes, as well as grants and entitlements comprised 87 percent of the School District's revenues for governmental activities.

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

The School District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills, and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 61 percent of revenue for governmental activities for the School District in fiscal year 2013.

Instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges comprise 53 percent, 37 percent, one percent, three percent, and six percent, respectively, of governmental program expenses. Overall, expenses increased \$1,037,398. Instruction expense had the most significant increase of \$1,330,752. Regular instruction experienced the largest increase from fiscal year 2012 at \$753,093. The increase in expenses is due primarily to the elimination of federal grants.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$24,753,309	\$23,422,557	\$22,751,404	\$21,770,623
Support Services:				
Pupil and Instructional Staff	3,766,452	3,621,203	3,426,322	2,948,096
School Administration, Board of Education, Fiscal, and Business	4,355,096	4,773,692	4,348,190	4,767,876
Operation and Maintenance	5,510,826	5,679,855	5,380,182	4,837,100
Pupil Transportation	3,304,281	3,209,251	3,218,056	3,142,573
Central	245,288	262,560	245,288	262,560
Operation of Non-Instructional Services	648,611	454,284	190,989	434,561
Extracurricular Activities	1,386,236	1,657,618	1,079,087	1,382,977
Interest and Fiscal Charges	2,753,834	2,605,515	2,753,834	2,605,515
Total Expenses	\$46,723,933	\$45,686,535	\$43,393,352	\$42,151,881

**Business-Type Activities**

Business-type activities include the food service operation, preschool and latchkey operations, and preschool grants. These programs had revenues of \$2,396,040 and expenses of \$2,418,432 for fiscal year 2013.

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

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**The School District's Funds**

Information about the School District's major funds is presented in the fund financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$48,817,441 and expenditures of \$45,742,464. The net change in fund balances for the year was an increase of \$3,599,501.

The General Fund balance increased \$2,508,785. General Fund revenues increased \$2,385,531, and expenditures increased \$884,738.

The Debt Service Fund balance increased \$620,287 due to a decrease in taxes and entitlements received from the State. The decreases were due to reduced property values and reduced debt service payments.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2013, the School District amended its General Fund budget numerous times. The School District uses site-based budgeting, and the budgeting systems are designed to tightly control total site budgets while providing flexibility for site management. During the course of the year, the School District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

A review of the budgetary comparison statement for the General Fund reflects a slight increase of \$12,868 in revenues from the original budget to the final budget. This increase comprised insignificant changes to several revenue line items.

The total increase in expenditures from the original to the final budget was \$252,747. This increase comprised insignificant changes to several expenditure line items.

The difference in actual expenditures made from the final budget was substantial. Overall, expenditures decreased \$964,940 from the final budgeted amount, with the largest decrease in regular instruction. This decrease was primarily due to under appropriating in budgeted benefits line items.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2013, the School District had \$50,834,331 invested in land, land improvements, buildings, equipment, and vehicles. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
(Unaudited)

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$3,074,466	\$3,074,466	\$0	\$0	\$3,074,466	\$3,074,466
Construction-in-progress	0	273,635	0	0	0	273,635
Land Improvements	1,187,606	1,314,568	0	329	1,187,606	1,314,897
Building and Improvements	44,794,559	45,913,398	50,217	52,349	44,844,776	45,965,747
Furniture and Equipment	1,237,107	1,317,033	221,391	263,732	1,458,498	1,580,765
Vehicles	268,985	334,947	0	0	268,985	334,947
Total Capital Assets	<u>\$50,562,723</u>	<u>\$52,228,047</u>	<u>\$271,608</u>	<u>\$316,410</u>	<u>\$50,834,331</u>	<u>\$52,544,457</u>

Net capital assets decreased from the prior fiscal year. The amount of depreciation was greater than the additions to capital assets, resulting in a net decrease for the fiscal year. The School District continues its ongoing commitment to maintaining and improving its capital assets. For more information on the School District's capital assets, see Note 8 to the Basic Financial Statements.

**Debt**

At June 30, 2013, the School District had \$57,142,501 in bonds payable, \$1,905,000 due within one year. Table 5 summarizes bonds and capital leases outstanding at year-end.

Table 5  
Outstanding Debt at June 30

	Governmental Activities	
	2013	2012
School Improvement Bonds 1995	\$485,000	\$2,770,000
School Improvement Bonds 2000	635,000	1,955,000
School Improvement Bonds 2003	435,000	4,100,000
School Improvement Bonds 2005	1,103,408	17,628,509
School Improvement Bonds 2007	6,636,209	27,114,160
School Improvement Bonds 2013A	27,152,435	0
School Improvement Bonds 2013B	20,695,449	0
Total Outstanding Debt	<u>\$57,142,501</u>	<u>\$53,567,669</u>

For more information on the School District's debt obligations, see Note 13 to the Basic Financial Statements.

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*(Unaudited)*

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**For the Future**

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the School District. Management must plan expenses accordingly, staying within the School District's five-year plan. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decisions are unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations. Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

All of the School District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the School District's finances, the School District's management is confident that the School District can continue to provide a quality education for our students and provide a secure financial future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Mowery, Treasurer at Kings Local School District, 1797 King Avenue, Kings Mills, Ohio 45034. Or email at [mmowery@kingslocal.net](mailto:mmowery@kingslocal.net).

**Kings Local School District***Statement of Net Position**June 30, 2013*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$15,134,262	\$429,095	\$15,563,357
Inventory Held for Resale	0	12,715	12,715
Accounts Receivable	68,381	0	68,381
Internal Balances	462	(462)	0
Intergovernmental Receivable	397,716	21,767	419,483
Property Taxes Receivable	27,476,720	0	27,476,720
Payment in Lieu of Taxes Receivable	2,260,185	0	2,260,185
Nondepreciable Capital Assets	3,074,466	0	3,074,466
Depreciable Capital Assets, Net	47,488,257	271,608	47,759,865
<i>Total Assets</i>	<u>95,900,449</u>	<u>734,723</u>	<u>96,635,172</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	4,515,163	0	4,515,163
<b>Liabilities</b>			
Accounts Payable	408,573	5,215	413,788
Accrued Wages and Benefits Payable	2,486,974	105,223	2,592,197
Intergovernmental Payable	782,614	70,351	852,965
Accrued Interest Payable	196,606	0	196,606
Matured Compensated Absences Payable	74,241	0	74,241
Long-Term Liabilities:			
Due Within One Year	2,241,163	12,927	2,254,090
Due In More Than One Year	59,100,363	155,690	59,256,053
<i>Total Liabilities</i>	<u>65,290,534</u>	<u>349,406</u>	<u>65,639,940</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	23,566,430	0	23,566,430
Payment in Lieu of Taxes	1,256,799	0	1,256,799
<i>Total Deferred Inflows of Resources</i>	<u>24,823,229</u>	<u>0</u>	<u>24,823,229</u>
<b>Net Position</b>			
Net Investment in Capital Assets (Deficit)	(1,351,207)	271,608	(1,079,599)
Restricted for:			
Capital Projects	2,221,904	0	2,221,904
Debt Service	2,105,013	0	2,105,013
Other Purposes	141,404	0	141,404
Unrestricted	7,184,735	113,709	7,298,444
<i>Total Net Position</i>	<u>\$10,301,849</u>	<u>\$385,317</u>	<u>\$10,687,166</u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest
<b>Governmental Activities</b>			
Instruction:			
Regular	\$18,634,984	\$711,331	\$30,711
Special	4,982,219	173,826	842,402
Vocational	0	0	93
Student Intervention Services	1,135,912	37,327	206,207
Other	194	8	0
Support Services:			
Pupil	2,514,651		110,762
Instructional Staff	1,251,801		229,368
Board of Education	48,959	0	0
School Administration	3,237,217		6,906
Fiscal	849,778	0	0
Business	219,142	0	0
Operation and Maintenance of Plant	5,510,826	119,721	10,923
Pupil Transportation	3,304,281		86,225
Central	245,288	0	0
Operation of Non-Instructional Services	648,611	0	457,622
Extracurricular Activities	1,386,236	201,166	105,983
Interest and Fiscal Charges	2,753,834	0	0
<i>Total Governmental Activities</i>	<u>46,723,933</u>	<u>1,243,379</u>	<u>2,087,202</u>
<b>Business-Type Activities</b>			
Food Service	1,384,120	887,671	444,568
Latchkey/ Preschool	1,017,950	1,035,820	0
Preschool Grant	16,362	0	17,601
<i>Total Business-Type Activities</i>	<u>2,418,432</u>	<u>1,923,491</u>	<u>462,169</u>
<i>Totals</i>	<u>\$49,142,365</u>	<u>\$3,166,870</u>	<u>\$2,549,371</u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Debt Service  
Capital Outlay  
Grants and Entitlements not Restricted to Specific Programs  
Gifts and Donations not Restricted to Specific Programs  
Payment in Lieu of Taxes  
Investment Earnings  
Miscellaneous

*Total General Revenues*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$17,892,942)	\$0	(\$17,892,942)
(3,965,991)	0	(3,965,991)
93	0	93
(892,378)	0	(892,378)
(186)	0	(186)
(2,403,889)	0	(2,403,889)
(1,022,433)	0	(1,022,433)
(48,959)	0	(48,959)
(3,230,311)	0	(3,230,311)
(849,778)	0	(849,778)
(219,142)	0	(219,142)
(5,380,182)	0	(5,380,182)
(3,218,056)	0	(3,218,056)
(245,288)	0	(245,288)
(190,989)	0	(190,989)
(1,079,087)	0	(1,079,087)
(2,753,834)	0	(2,753,834)
<u>(43,393,352)</u>	<u>0</u>	<u>(43,393,352)</u>
0	(51,881)	(51,881)
0	17,870	17,870
<u>0</u>	<u>1,239</u>	<u>1,239</u>
-	(32,772)	(32,772)
<u>(\$43,393,352)</u>	<u>(\$32,772)</u>	<u>(\$43,426,124)</u>
24,957,526	0	24,957,526
3,560,427	0	3,560,427
1,025,347	0	1,025,347
12,816,972	0	12,816,972
132,364	0	132,364
2,437,326	0	2,437,326
9,458	171	9,629
<u>331,529</u>	<u>10,209</u>	<u>341,738</u>
<u>45,270,949</u>	<u>10,380</u>	<u>45,281,329</u>
1,877,597	(22,392)	1,855,205
<u>8,424,252</u>	<u>407,709</u>	<u>8,831,961</u>
<u>\$10,301,849</u>	<u>\$385,317</u>	<u>\$10,687,166</u>

**Kings Local School District***Balance Sheet**Governmental Funds**June 30, 2013*

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$10,056,583	\$2,541,147	\$2,536,532	\$15,134,262
Accounts Receivable	67,296	0	1,085	68,381
Interfund Receivable	39,584	0	0	39,584
Intergovernmental Receivable	141,686	0	256,030	397,716
Property Taxes Receivable	22,467,420	3,995,000	1,014,300	27,476,720
Payment in Lieu of Taxes Receivable	2,260,185	0	0	2,260,185
<i>Total Assets</i>	<u>\$35,032,754</u>	<u>\$6,536,147</u>	<u>\$3,807,947</u>	<u>\$45,376,848</u>
<b>Liabilities</b>				
Accounts Payable	95,308	0	313,265	408,573
Accrued Wages and Benefits Payable	2,411,008	0	75,966	2,486,974
Intergovernmental Payable	775,066	0	7,548	782,614
Matured Compensated Absences Payable	74,241	0	0	74,241
Interfund Payable	0	0	39,122	39,122
<i>Total Liabilities</i>	<u>3,355,623</u>	<u>0</u>	<u>435,901</u>	<u>3,791,524</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	19,169,020	3,521,120	876,290	23,566,430
Payment in Lieu of Taxes	1,256,799	0	0	1,256,799
Unavailable Revenue	367,420	55,000	183,929	606,349
<i>Total Deferred Inflows of Resources</i>	<u>20,793,239</u>	<u>3,576,120</u>	<u>1,060,219</u>	<u>25,429,578</u>
<b>Fund Balances</b>				
Restricted	0	2,960,027	2,311,827	5,271,854
Committed	11,000	0	0	11,000
Assigned	327,562	0	0	327,562
Unassigned	10,545,330	0	0	10,545,330
<i>Total Fund Balances</i>	<u>10,883,892</u>	<u>2,960,027</u>	<u>2,311,827</u>	<u>16,155,746</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$35,032,754</u>	<u>\$6,536,147</u>	<u>\$3,807,947</u>	<u>\$45,376,848</u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2013*

Total Governmental Funds Balances	\$16,155,746
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*Amounts reported for governmental activities in the  
 Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	50,562,723
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Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Delinquent Property Taxes	606,349
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In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(196,606)
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Deferred outflows of resources include deferred charges on refunding, which do not provide current financial resources and, therefore, are not reported in the funds.	4,515,163
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

General Obligation Bonds Payable	(57,142,501)	
Compensated Absences	(4,199,025)	
Total	(61,341,526)	(61,341,526)

<i>Net Position of Governmental Activities</i>	<u><u>\$10,301,849</u></u>
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See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2013*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$25,096,979	\$3,564,816	\$1,033,043	\$29,694,838
Intergovernmental	12,463,112	462,462	1,936,867	14,862,441
Investment Earnings	8,378	0	1,203	9,581
Tuition and Fees	922,492	0	0	922,492
Rent	119,721	0	17,680	137,401
Extracurricular Activities	17,899	0	144,465	162,364
Payment in Lieu of Taxes	2,437,326	0	0	2,437,326
Charges for Services	21,122	0	0	21,122
Contributions and Donations	108,303	0	130,044	238,347
Miscellaneous	258,725	0	72,804	331,529
<i>Total Revenues</i>	<u>41,454,057</u>	<u>4,027,278</u>	<u>3,336,106</u>	<u>48,817,441</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	17,732,915	0	587,685	18,320,600
Special	4,391,142	0	494,771	4,885,913
Student Intervention Services	945,912	0	190,000	1,135,912
Support Services:				
Pupil	2,345,189	0	117,297	2,462,486
Instructional Staff	1,039,532	0	226,711	1,266,243
Board of Education	48,959	0	0	48,959
Administration	3,185,423	0	6,363	3,191,786
Fiscal	777,483	35,656	35,383	848,522
Business	240,767	0	0	240,767
Operation and Maintenance of Plant	3,760,677	0	237,892	3,998,569
Pupil Transportation	3,180,318	0	20,362	3,200,680
Central	242,747	0	0	242,747
Operation of Non-Instructional Services	5,724	0	632,793	638,517
Extracurricular Activities	1,048,484	0	275,911	1,324,395
Capital Outlay	0	0	40,509	40,509
Debt Service:				
Principal Retirement	0	1,345,000	0	1,345,000
Interest and Fiscal Charges	0	2,550,859	0	2,550,859
<i>Total Expenditures</i>	<u>38,945,272</u>	<u>3,931,515</u>	<u>2,865,677</u>	<u>45,742,464</u>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	0	40,785,000	0	40,785,000
Premium on Refunding Bonds Issued	0	7,062,884	0	7,062,884
Payment to Refunded Bond Escrow Agent	0	(47,323,360)	0	(47,323,360)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>524,524</u>	<u>0</u>	<u>524,524</u>
<i>Net Change in Fund Balances</i>	2,508,785	620,287	470,429	3,599,501
<i>Fund Balances Beginning of Year</i>	<u>8,375,107</u>	<u>2,339,740</u>	<u>1,841,398</u>	<u>12,556,245</u>
<i>Fund Balances End of Year</i>	<u>\$10,883,892</u>	<u>\$2,960,027</u>	<u>\$2,311,827</u>	<u>\$16,155,746</u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds \$3,599,501

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. This is the amount by which depreciation  
exceeded capital outlay in the current period:

Capital Asset Additions	70,241	
Current Year Depreciation	(1,735,565)	
Total	(1,665,324)	(1,665,324)

Revenues in the Statement of Activities that do not provide current  
financial resources are not reported as revenues in the funds:

Grants	(64,373)	
Delinquent Property Taxes	(151,538)	
Total	(215,911)	(215,911)

In the Statement of Activities, interest accrued on outstanding bonds,  
bond accretion, and bond premium are amortized over the term of  
the bonds, whereas in governmental funds, an interest expenditure  
is reported when due, and premiums are reported when the bonds  
are issued:

Accrued Interest	(322,830)	
Amortization of Premium on Bonds	(30,145)	
Amortization of Capital Appreciation Bonds	150,000	
Total	(202,975)	(202,975)

Repayment of bond, loan, and lease principal is an expenditure in the  
governmental funds, but the repayment reduces long-term liabilities  
in the Statement of Net Position.

Bond payments	1,345,000	
Payment to Refunded Escrow Agent	47,323,360	
Total	48,668,360	48,668,360

Bond proceeds are reported as other financing sources in governmental  
funds and thus contribute to the change in fund balances. In the  
government-wide statements, however, issuing debt increases long-  
term liabilities in the Statement of Net Position and does not affect  
the Statement of Activities.

Proceeds of Refunding Bonds	(40,785,000)	
Premium on Refunding Bonds	(7,062,884)	
Total	(47,847,884)	(47,847,884)

Some expenses reported in the Statement of Activities do not require  
the use of current financial resources and, therefore, are not  
reported as expenditures in governmental funds.

Compensated Absences		(458,170)
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Change in Net Position of Governmental Activities:		\$1,877,597
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See accompanying notes to the basic financial statements

**Kings Local School District**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2013

	Budget Amounts			Variance With Final Budget Over/Under
	Original	Final	Actual	
<b><u>Revenues</u></b>				
Property Taxes	\$23,142,094	\$23,142,094	\$23,535,369	\$393,275
Intergovernmental	11,821,329	11,821,329	12,376,840	555,511
Interest	0	0	8,856	8,856
Tuition and Fees	656,680	668,748	856,048	187,300
Rent	165,000	165,000	119,281	(45,719)
Extracurricular Activities	0	800	1,204	404
Payments in Lieu of Taxes	1,667,945	1,667,945	1,760,465	92,520
Charges for Services	15,000	15,000	21,122	6,122
Contributions and Donations	40,000	40,000	67,074	27,074
Miscellaneous	5,000	5,000	60,098	55,098
<i>Total Revenues</i>	<u>37,513,048</u>	<u>37,525,916</u>	<u>38,806,357</u>	<u>1,280,441</u>
<b><u>Expenditures</u></b>				
Current:				
Instruction:				
Regular	31,389,127	31,309,287	17,967,662	13,341,625
Special	515,486	660,993	4,375,519	(3,714,526)
Student Intervention Services	758,791	758,791	945,934	(187,143)
Support Services:				
Pupil	153,039	766,091	2,289,895	(1,523,804)
Instructional Staff	121,774	116,854	1,102,778	(985,924)
Board of Education	72,719	53,219	54,303	(1,084)
Administration	982,140	527,240	3,218,477	(2,691,237)
Fiscal	595,000	458,748	783,990	(325,242)
Business	4,092	12,092	214,455	(202,363)
Operation and Maintenance of Plant	1,801,618	1,831,513	3,816,704	(1,985,191)
Pupil Transportation	3,087,076	3,237,076	3,180,664	56,412
Central	243,702	244,294	252,766	(8,472)
Extracurricular Activities	58,739	59,852	867,963	(808,111)
<i>Total Expenditures</i>	<u>39,783,303</u>	<u>40,036,050</u>	<u>39,071,110</u>	<u>964,940</u>
Excess of Revenues Over Expenditures	<u>(2,270,255)</u>	<u>(2,510,134)</u>	<u>(264,753)</u>	<u>2,245,381</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Refund of Prior Year Expenditures	0	0	10,574	10,574
Advances In	100,000	100,000	332,521	232,521
Advances Out	(100,000)	(100,000)	(39,584)	60,416
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>303,511</u>	<u>303,511</u>
<i>Net Change in Fund Balance</i>	(2,270,255)	(2,510,134)	38,758	2,548,892
<i>Fund Balance at Beginning of Year</i>	9,047,661	9,047,661	9,047,661	0
<i>Prior Year Encumbrances Appropriated</i>	281,803	281,803	281,803	0
<i>Fund Balance at End of Year</i>	<u>\$7,059,209</u>	<u>\$6,819,330</u>	<u>\$9,368,222</u>	<u>\$2,548,892</u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Net Position*  
*Enterprise Funds*  
*June 30, 2013*

	Other Enterprise Funds
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$429,095
Intergovernmental Receivable	21,767
Inventory Held for Resale	12,715
<i>Total Current Assets</i>	463,577
 <i>Noncurrent Assets:</i>	
<i>Capital Assets:</i>	
Depreciable Capital Assets, Net	271,608
<i>Total Assets</i>	735,185
 <b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	5,215
Accrued Wages and Benefits Payable	105,223
Intergovernmental Payable	70,351
Compensated Absences Payable	12,927
Interfund Payable	462
<i>Total Current Liabilities</i>	194,178
 <i>Long-Term Liabilities:</i>	
Compensated Absences Payable	155,690
<i>Total Liabilities</i>	349,868
 <b>Net Position</b>	
Net Investment in Capital Assets	271,608
Unrestricted	113,709
<i>Total Net Position</i>	\$385,317

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Enterprise Funds*  
*For the Fiscal Year Ended June 30, 2013*

	<u>Other Enterprise Funds</u>
<b>Operating Revenues</b>	
Tuition	\$1,035,820
Sales	887,671
Other Revenues	<u>8,004</u>
<i>Total Operating Revenues</i>	<u>1,931,495</u>
<b>Operating Expenses</b>	
Salaries	1,178,510
Fringe Benefits	484,753
Purchased Services	6,693
Materials and Supplies	663,336
Depreciation	44,802
Other	<u>40,338</u>
<i>Total Operating Expenses</i>	<u>2,418,432</u>
<i>Operating Loss</i>	<u>(486,937)</u>
<b>Non-Operating Revenues</b>	
Federal Donated Commodities	34,648
Interest	171
Federal and State Subsidies	427,521
Other	<u>2,205</u>
<i>Total Non-Operating Revenues</i>	<u>464,545</u>
<i>Net Change in Net Position</i>	(22,392)
<i>Net Position at Beginning of Year</i>	<u>407,709</u>
<i>Net Position at End of Year</i>	<u><u>\$385,317</u></u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Cash Flows*  
*Enterprise Funds*  
For the Fiscal Year Ended June 30, 2013

	<u>Other Enterprise Funds</u>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$1,916,209
Cash Payments to Employees for Services	(1,136,830)
Cash Payments for Employee Benefits	(491,421)
Cash Payments for Goods and Services	(675,083)
Other Non-Operating Revenues	2,205
Other Operating Revenue	<u>8,004</u>
<i>Net Cash Used in Operating Activities</i>	<u>(376,916)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Grants Received	421,571
Short Term Loans Borrowed from Other Funds	462
Short Term Loans Paid back to Other Funds	<u>(9,535)</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>412,498</u>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	<u>171</u>
<i>Net Increase in Cash and Cash Equivalents</i>	35,753
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>393,342</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$429,095</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating Loss	(\$486,937)
Adjustments:	
Depreciation	44,802
Donated Commodities	34,648
Non-operating Revenues	2,205
(Increase) Decrease in Assets:	
Inventory Held for Resale	(3,870)
Intergovernmental Receivable	(7,282)
Increase (Decrease) in Liabilities:	
Accounts Payable	4,506
Accrued Wages and Benefits Payable	11,951
Compensated Absences Payable	(6,668)
Intergovernmental Payable	<u>29,729</u>
<i>Net Cash Used in Operating Activities</i>	<u><u>(\$376,916)</u></u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Assets and Liabilities*  
*Agency Funds*  
*June 30, 2013*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$121,440</u>
<i>Total Assets</i>	<u><u>121,440</u></u>
<b>Liabilities</b>	
Undistributed Monies	61,475
Due to Students	<u>59,965</u>
<i>Total Liabilities</i>	<u><u>\$121,440</u></u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**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 1950s through the consolidation of existing land area and school districts. The School District serves an area of approximately twenty-three square miles. It is located in Warren County and includes portions of Deerfield and Union Townships.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The School District 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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District has no component units.

The following activities are included within the reporting entity:

*Parochial School* - Within the School District's boundaries, St. Margaret of York and The Goddard School are operated as private schools. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial school. This activity is reflected as a nonmajor special revenue fund for financial reporting purposes.

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 15 to the Basic Financial Statements. These organizations are:

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 1 – Description of the School District and Reporting Entity (Continued)**

Jointly Governed Organizations:

Southwest Ohio Computer Association  
Warren County Career Center

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'  
Compensation Group Rating Plan

**Note 2 – Summary of Significant Accounting Policies**

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 standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

**Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type.

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

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements

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

**Fund Accounting**

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The General Fund is the operating fund of the School District and is used to account for and report 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.

Debt Service Fund - The Debt Service Fund is used to account for and report the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the School District is obligated in some manner for the payment.

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

Proprietary Funds

The proprietary funds focus on the determination of the changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no internal service funds.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Enterprise Funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has one fiduciary fund: an agency fund, used to account for student-managed activity programs.

**Measurement Focus**

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The proprietary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows/outflows of resources, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, “available” means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, tuition and fees, grants, and accrued interest.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Deferred Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payment in lieu of taxes, and unavailable revenue. These amounts have been recorded as deferred inflows of resources on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet and represents receivables that will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

**Cash and Cash Equivalents**

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

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

During fiscal year 2013, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that 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 net asset value per share, which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2013 was \$8,378, which included \$7,510 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable." Interfund balances within governmental activities and within business-type activities are eliminated on the Statement of Net Position; any residual balances outstanding between the governmental activities and business-type activities are reported as "Internal Balances."

**Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and purchased food held for resale.

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported on the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the fund financial statements.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; 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.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 years	20 years
Buildings and Improvements	25 - 50 years	25 - 50 years
Furniture and Equipment	5 - 15 years	5 - 15 years
Vehicles	5 - 15 years	5 - 15 years

**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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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. The School District records a liability for accumulated unused sick leave for all employees after 15 years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund from which the employees will be paid. The remaining portion of the liability is not reported.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as an expenditure and liability in the governmental fund financial statements when due.

**Fund Balance**

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level of formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

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

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes food services and federal and State grants restricted to expenditures for specified purposes.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another, or within the same function, are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds and other non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the Certificate of Estimated Resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The Certificate of Estimated Resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The Certificate of Estimated Resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

**Bond Premiums and Compounded Interest on Capital Appreciation Bonds**

For governmental activities, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

**Deferred Charge on Refunding**

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This deferred amount is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the Statement of Net Position.

**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.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are sales for food service and the preschool and latchkey programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are classified as non-operating.

**Note 3 – Changes in Accounting Principles**

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) *Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 61, "Financial Reporting Entity: Omnibus," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62."*

*GASB Statement No. 60* improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 3 – Changes in Accounting Principles (Continued)**

*GASB Statement No. 61* modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

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

*GASB Statement No. 63* provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

*GASB Statement No. 65* properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position and/or fund balance.

*GASB Statement No. 66* resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 4 – Budgetary Basis of Accounting (Continued)**

3. Encumbrances are treated as expenditures (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
6. Budgetary revenues and expenditures of the Public School Support Fund and the Underground Storage Tank Fund are classified to the General Fund for GAAP reporting.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$2,508,785
Adjustments:	
Revenue Accruals	(2,366,394)
Expenditure Accruals	37,181
Encumbrances	(403,453)
Perspective Difference	
Public School Support Fund (018)	(30,298)
Advances	292,937
Budget Basis	\$38,758

**Note 5 – Deposits and Investments**

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

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

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

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 5 – Deposits and Investments (Continued)**

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

Interim monies held by the School Districts can be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

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**Note 5 – Deposits and Investments (Continued)**

**Deposits**

At fiscal year-end, the bank balance of the School District’s deposits was \$14,720,353. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department, but not in the School District’s name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments**

At June 30, 2013, the School District had the following investments:

	Fair Value	Maturity	Percent of Total Investments
STAROhio	\$1,889,756	57.5 days	N/A

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District’s investment policy states that “investments held by the Treasurer must mature within five (5) years, unless they are matched to a specific obligation or debt of the School District.” This policy is intended to mitigate interest rate risk. STAR Ohio maturity dates are varied and short and are not subject to interest rate risk.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor’s rated the School District’s investment in STAR Ohio AAAM. The Board has no policy on credit risk.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District’s investments are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District does not have a policy for custodial credit risk.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 5 – Deposits and Investments (Continued)**

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District's investment policy does not address this risk.

**Note 6 – Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2013 are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows - property taxes.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

**Note 6 – Property Taxes (Continued)**

The amount available as an advance at June 30, 2013 was \$3,473,570 and is recognized as revenue: \$2,930,980 in the General Fund, \$418,880 in the Debt Service Fund and \$123,710 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2012 was \$1,369,370 in the General Fund, \$186,820 in the Debt Service Fund, and \$56,760 in the Permanent Improvement Fund.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2012 Second - Half Collections		2013 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$692,573,320	98.20%	\$665,684,220	97.83%
Public Utility Personal	12,711,860	1.80%	14,760,660	2.17%
Total Assessed Value	\$705,285,180	100.00%	\$680,444,880	100.00%
Tax rate per \$1,000 of assessed valuation	\$70.73		\$71.13	

**Note 7 – Receivables**

Receivables at June 30, 2013 consisted of accounts (rent, student fees, and commissions), interfund, intergovernmental grants, property taxes, and revenue in lieu of taxes. 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 year guarantee of federal funds. All receivable amounts, except delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 7 – Receivables (Continued)**

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Idea Part -B	\$56,668
Title III- LEP	2,485
Title I	157,453
Title II-A	39,324
Bureau of Workers' Compensation	103,487
School Employees Retirement System	35,872
Miscellaneous Reimbursement	2,427
Total Governmental Activities	<u>397,716</u>
Business-Type Activities:	
Early Childhood	2,733
Bureau of Workers' Compensation	5,190
Charges for Services	9,450
Miscellaneous Reimbursement	4,394
Total Business-Type Activities	<u>21,767</u>
Total Intergovernmental Receivables	<u><u>\$419,483</u></u>

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

**Note 8 – Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$3,074,466	\$0	\$0	\$3,074,466
Construction in Progress	273,635	0	(273,635)	0
Total Capital Assets Not Being Depreciated	<u>3,348,101</u>	<u>0</u>	<u>(273,635)</u>	<u>3,074,466</u>
Capital Assets Being Depreciated:				
Land Improvements	4,400,979	0	0	4,400,979
Buildings and Improvements	64,160,838	0	0	64,160,838
Furniture and Equipment	2,686,032	343,876	0	3,029,908
Vehicles	2,322,264	0	0	2,322,264
Total Capital Assets Being Depreciated	<u>73,570,113</u>	<u>343,876</u>	<u>0</u>	<u>73,913,989</u>
Less Accumulated Depreciation:				
Land Improvements	(3,086,411)	(126,962)	0	(3,213,373)
Buildings and Improvements	(18,247,440)	(1,118,839)	0	(19,366,279)
Furniture and Equipment	(1,368,999)	(423,802)	0	(1,792,801)
Vehicles	(1,987,317)	(65,962)	0	(2,053,279)
Total Accumulated Depreciation	<u>(24,690,167)</u>	<u>(1,735,565)</u>	<u>0</u>	<u>(26,425,732)</u>
Total Capital Assets Being Depreciated, Net	<u>48,879,946</u>	<u>(1,391,689)</u>	<u>0</u>	<u>47,488,257</u>
Governmental Activities Capital Assets, Net	<u>\$52,228,047</u>	<u>(\$1,391,689)</u>	<u>(\$273,635)</u>	<u>\$50,562,723</u>

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

**Note 8 – Capital Assets (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$269,915
Special	45,116
Support Services:	
Administration	4,261
Fiscal	1,984
Operation and Maintenance of Plant	1,298,427
Pupil Transportation	103,601
Operation of Non-Instructional Services	8,258
Extracurricular Activities	4,003
Total Depreciation Expense	<u>\$1,735,565</u>

	<u>Balance</u>			<u>Balance</u>
	<u>6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/13</u>
<b><u>Business-Type Activity:</u></b>				
Capital Assets, Being Depreciated:				
Land Improvements	\$7,708	\$0	\$0	\$7,708
Buildings and Improvements	83,070	0	0	83,070
Furniture and Equipment	587,906	0	0	587,906
Total Capital Assets, Being Depreciated	<u>678,684</u>	<u>0</u>	<u>0</u>	<u>678,684</u>
Less Accumulated Depreciation:				
Land Improvements	(7,379)	(329)	0	(7,708)
Buildings and Improvements	(30,721)	(2,132)	0	(32,853)
Furniture and Equipment	(324,174)	(42,341)	0	(366,515)
Total Accumulated Depreciation	<u>(362,274)</u>	<u>(44,802)</u>	<u>0</u>	<u>(407,076)</u>
Business-Type Activity				
Capital Assets, Net	<u>\$316,410</u>	<u>(\$44,802)</u>	<u>\$0</u>	<u>\$271,608</u>

Depreciation expense of \$42,714 and \$2,088 was charged to the Food Service and Latchkey/Preschool Funds, respectively.

**Note 9 – Risk Management**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted with Ohio Casualty Insurance for fleet insurance and liability insurance. Property is also protected by Ohio Casualty Insurance.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 9 – Risk Management (Continued)**

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

**Workers' Compensation**

For fiscal year 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

**Note 10 – Defined Benefit Pension Plans**

**School Employees Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary, and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$492,193, \$536,020 and \$735,705, respectively. For fiscal year 2013, 63 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

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**Note 10 – Defined Benefit Pension Plans (Continued)**

**State Teachers Retirement System**

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

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 10 – Defined Benefit Pension Plans (Continued)**

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,375,398, \$2,349,714, and \$2,531,965, respectively. 92 percent has been contributed for fiscal year 2013 with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

For fiscal year 2013, contributions made to STRS Ohio for the DC Plan were \$48,559 made by the School District and \$34,685 made by the plan members. In addition, member contributions of \$26,178 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 11 – Postemployment Benefits**

**School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$105,303 in surcharges.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 11 – Postemployment Benefits (Continued)**

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

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$141,133, \$114,362, and \$91,261, respectively. 63 percent has been contributed for fiscal year 2013 with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$28,792, \$31,780, and \$48,503 respectively. 63 percent has been contributed for fiscal year 2013 with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio, which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$182,723, \$180,747, and \$194,767, respectively. For fiscal year 2013, 92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 12 – Employee Benefits**

**Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, High School Principal, Business Manager and Athletic Director.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 195 days for certified employees, 12 days beyond contract year for administrators, and 205 days for classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 38 days.

**Health Care Benefits**

The School District provides medical, dental, vision, and life insurance benefits to most employees. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with the employee, depending on the terms of the union contract.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

**Note 13 – Long-Term Obligations**

The changes in the School District’s long-term obligations during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
1995 School Improvement 5.86%	\$2,770,000	\$0	\$2,285,000	\$485,000	\$485,000
2000 School Improvement 5.47%	1,955,000	0	1,320,000	635,000	635,000
2003 School Improvement 4.25%	4,100,000	0	3,665,000	435,000	130,000
2005 School Improvement 3.05%					
Term and Serial Bonds	15,405,000	0	15,090,000	315,000	105,000
Premium	1,447,996	0	1,447,996	0	0
Capital Appreciation Bond	90,000	0	15,000	75,000	15,000
Interest Accretion	685,513	177,895	150,000	713,408	0
2007 School Improvement 4.13%					
Term and Serial Bonds	26,405,000	0	19,935,000	6,470,000	0
Premium	709,160	0	542,951	166,209	0
2013A School Improvement					
Current Interest 3.25-5.00%	0	21,605,000	0	21,605,000	0
Capital Appreciation Bond	0	760,000	0	760,000	0
Premium	0	4,787,435	0	4,787,435	0
2013B School Improvement Refunding					
Current Interest 4.10-5.00%	0	18,185,000	0	18,185,000	535,000
Capital Appreciation Bond	0	235,000	0	235,000	0
Premium	0	2,275,449	0	2,275,449	0
Compensated Absences	3,740,855	629,246	171,076	4,199,025	336,163
Total Governmental Activities					
Long-Term Obligations	<u>\$57,308,524</u>	<u>\$48,655,025</u>	<u>\$44,622,023</u>	<u>\$61,341,526</u>	<u>\$2,241,163</u>
	Amount Outstanding 6/30/12	Additions	Deductions	Amount Outstanding 6/30/13	Amounts Due in One Year
<u>Business Type Activities:</u>					
Compensated Absences	<u>\$138,888</u>	<u>\$30,997</u>	<u>\$1,268</u>	<u>\$168,617</u>	<u>\$12,927</u>

School Improvement Bonds – On various occasions, the 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 December 1, 2012 to December 1, 2033. The interest rates vary from 3.05% to 5.86%.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 13 – Long-Term Obligations (Continued)**

In February 2013, the School District issued \$22,365,000 in the Series 2013A School Improvement Bonds for the purpose of advance refunding a portion of the 1995 School Improvement Bonds, the 2000 School Improvement Bonds, and the 2007 School Improvement Bonds. \$21,605,000 were serial bonds, and \$760,000 was a capital appreciation bond. Also in February 2013, the School District issued \$18,420,000 in the Series 2013B School Improvement Bonds for the purpose of advance refunding a portion of the 2007 School Improvement Bonds and the 2005 School Improvement Bonds. \$18,185,000 were serial bonds, and \$235,000 was a capital appreciation bond. The bonds were issued for a 20-year period, with final maturity in December 2033.

The School District defeased the various school improvement bonds by placing a portion of the proceeds of the new bonds in an escrow account with the Bank of New York Mellon Trust Company to provide for all future debt service payments due on the old bonds. Accordingly, the escrow account assets and the liability of the defeased bonds are not included in the School District's financial statements. As of June 30, 2013, \$40,785,000 of the refunded bonds were outstanding.

The capital appreciation bonds will mature in fiscal year 2020, 2023, and 2026. The maturity amounts of the capital appreciation bonds will be \$105,000, \$1,075,000, and \$2,745,000, respectively.

The refunding of the Series 2013A School Improvement Bonds and the Series 2013B School Improvement Bonds resulted in a difference of \$3,919,968 and \$595,195, respectively, between the net carrying amount of the old debt and the reacquisition price. This difference, reported in the accompanying financial statements as a decrease to the bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. Total debt service payments decreased by \$4,470,141 as a result of the refundings. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$8,599,451.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

In fiscal year 2005, the School District issued \$16,565,000 in General Obligation bonds with interest rates ranging from 3 to 5 percent until maturity. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the 1999 and 2000 Series bonds.

The refunding bonds are not subject to optional redemption prior to maturity. Of the \$16,565,000 issued, \$1,620,000 represents serial bonds, and \$120,000 is capital appreciation bonds. The serial bonds mature at varying amounts through December 1, 2025.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

**Note 13 – Long-Term Obligations (Continued)**

The capital appreciation bonds will mature in fiscal years 2014 through 2016. The final maturity amount of the bonds is \$1,295,000.

Principal and interest requirements to retire general obligation debt outstanding at fiscal year-end are as follows:

General Obligation Bonds					
Fiscal Year Ending June 30,	Term and Serial Principal	Term and Serial Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2014	\$1,355,000	\$948,936	\$15,000	\$150,000	\$2,468,936
2015	105,000	739,918	10,000	155,000	1,009,918
2016	105,000	733,190	50,000	915,000	1,803,190
2017	0	0	0	0	0
2018	0	0	0	0	0
2019-2023	305,000	2,265,000	0	0	2,570,000
2024-2028	1,500,000	879,375	0	0	2,379,375
2029-2033	4,970,000	1,100,375	0	0	6,070,375
Total	<u>\$8,340,000</u>	<u>\$6,666,794</u>	<u>\$75,000</u>	<u>\$1,220,000</u>	<u>\$16,301,794</u>

School Improvement Refunding Bonds					
Fiscal Year Ending June 30,	Current Interest Principal	Interest	Capital Appreciation Principal	Capital Appreciation Interest	Total
2014	\$535,000	\$1,738,020	\$0	\$0	\$2,273,020
2015	1,570,000	1,685,395	0	0	3,255,395
2016	850,000	1,629,145	0	0	2,479,145
2017	2,040,000	1,573,895	0	0	3,613,895
2018	2,120,000	1,498,545	0	0	3,618,545
2019-2023	9,445,000	6,361,588	50,000	55,000	15,911,588
2024-2028	8,705,000	4,277,470	945,000	2,875,000	16,802,470
2029-2033	10,870,000	2,487,300	0	0	13,357,300
2034	3,655,000	82,625	0	0	3,737,625
Total	<u>\$39,790,000</u>	<u>\$21,333,983</u>	<u>\$995,000</u>	<u>\$2,930,000</u>	<u>\$65,048,983</u>

The School District's overall legal debt margin was \$14,581,191 with an unvoted debt margin of \$680,445, and an Energy Conservation debt margin of \$6,124,004 at June 30, 2013.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

**Note 14 – Interfund Activity**

As of June 30, 2013, interfund receivables and payable that resulted from various interfund transactions were as follows:

		Receivable
		General Fund
Payable	All Other Governmental Funds	\$39,122
	All Other Enterprise Funds	462
	Total	\$39,584

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

**Note 15 – Jointly Governed Organizations and Insurance Purchasing Pool**

**Jointly Governed Organizations**

*Southwest Ohio Computer Association*

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Hamilton, Preble and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 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, including one member from the Kings Local School District Board of Education. Warren County Career Center was formed for the purpose of providing vocational education opportunities to the students of the School District. Financial information can be obtained from Maggie Hess, who serves as Superintendent, at 3525 State Route 48, Lebanon, Ohio 45036.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

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**Note 15 – Jointly Governed Organizations and Insurance Purchasing Pool (Continued)**

**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 the 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.

**Note 16 – 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 acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

The following cash basis information identifies the change in the fiscal year-end set-aside amount for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Balance as of June 30, 2012	\$0
Current Fiscal Year Set-aside Requirement	677,733
Qualifying Disbursements	(1,064,145)
Totals	(\$386,412)
Set-aside Balance Carried	
Forward to Future Fiscal Years	\$0

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital acquisitions set-aside amount below zero. The extra amount for capital acquisitions may not be used to reduce the set-aside requirement of future fiscal years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
(Continued)

**Note 17 – Fund Balances**

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

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<b><i>Restricted for</i></b>				
Debt Payment	\$0	\$2,960,027	\$0	\$2,960,027
Student Managed Activities	0	0	16,391	16,391
Auxillary Services	0	0	45,845	45,845
Miscellaneous Grants	0	0	41,987	41,987
Capital Projects	0	0	2,207,604	2,207,604
<b><i>Total Restricted</i></b>	<b>0</b>	<b>2,960,027</b>	<b>2,311,827</b>	<b>5,271,854</b>
<b><i>Committed to</i></b>				
Underground Storage Tank	11,000	0	0	11,000
<b><i>Assigned to</i></b>				
Purchases on Order	321,224	0	0	321,224
Principal's Discretion	6,338	0	0	6,338
<b><i>Total Assigned</i></b>	<b>327,562</b>	<b>0</b>	<b>0</b>	<b>327,562</b>
<b><i>Unassigned</i></b>	<b>10,545,330</b>	<b>0</b>	<b>0</b>	<b>10,545,330</b>
<b><i>Total Fund Balances</i></b>	<b>\$10,883,892</b>	<b>\$2,960,027</b>	<b>\$2,311,827</b>	<b>\$16,155,746</b>

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*  
*(Continued)*

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**Note 18 – Significant Commitments**

**Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$426,528
Capital Projects Fund	643,933
Nonmajor Governmental Funds	<u>234,279</u>
Total	<u><u>\$1,304,740</u></u>

**Note 19 – Contingencies**

**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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

**Litigation**

The School District's attorney estimates that all other potential claims against the School District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the School District.

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**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Non-Cash Receipts</b>	<b>Receipts</b>	<b>Non-Cash Expenditures</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	N/A	10.555	\$34,648	\$0	\$34,648	\$0
Cash Assistance:						
National School Lunch Program	LLP4-2013	10.555	0	334,631	0	334,631
National School Breakfast Program	05PU-2013	10.553	0	52,753	0	52,753
Total Child Nutrition Cluster			34,648	387,384	34,648	387,384
Total U.S. Department of Agriculture			34,648	387,384	34,648	387,384
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	6BSF-2013	84.027	0	751,892	0	734,505
Special Education Grants to States	6BSF-2012	84.027	0	235,329	0	238,224
Total Special Education Grants to States			0	987,221	0	972,729
Special Education - Preschool Grants	PGS1-2013	84.173	0	16,141	0	15,330
Special Education - Preschool Grants	PGS1-2012	84.173	0	7,724	0	7,013
Total Special Education - Preschool Grants			0	23,865	0	22,343
Total Special Education Cluster			0	1,011,086	0	995,072
Title I Grants to Local Educational Agencies	C1S1-2013	84.010	0	286,250	0	285,193
Title I Grants to Local Educational Agencies	C1S1-2012	84.010	0	80,449	0	82,056
			0	366,699	0	367,249
Title II-A Improving Teacher Quality State Grants	TRS1-2013	84.367	0	100,688	0	96,983
Title II-A Improving Teacher Quality State Grants	TRS1-2012	84.367	0	50,917	0	53,398
			0	151,605	0	150,381
Title II-D Education Technology State Grants	TJS1-2013	84.318	0	420	0	420
Title II-D Education Technology State Grants	TJS1-2012	84.318	0	543	0	543
			0	963	0	963
Title III English Language Acquisition Grants	T3S1-2013	84.365	0	27,044	0	26,570
Title III English Language Acquisition Grants	T3S1-2012	84.365	0	2,152	0	3,486
			0	29,196	0	30,056
ARRA - Race to the Top	ARRA-2013	84.395	0	5,600	0	2,450
Education Jobs	2012	84.410	0	20,538	0	20,538
Total U.S. Department of Education			0	1,585,687	0	1,566,709
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$34,648</b>	<b>\$1,973,071</b>	<b>\$34,648</b>	<b>\$1,954,093</b>

*The accompanying notes are an integral part of this schedule.*

**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Kings Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Kings Local School District  
Warren County  
1797 King Avenue  
Kings Mills, Ohio 45034

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kings Local School District, Warren County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2014.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242  
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 25, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kings Local School District  
Warren County  
1797 King Avenue  
Kings Mills, Ohio 45034

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Kings Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Kings Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the Kings Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 25, 2014

**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA #84.027: Special Education – Grants to States CFDA #84.173: Special Education – Preschool Grants
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-1	Audit adjustment to properly record taxes receivable in the Debt Service and Other Governmental Funds	Yes	
2012-2	Expenditures and encumbrances exceeded appropriations in the General Fund	Yes	
2012-3	Semi-annual certifications for the Special Education Cluster were not signed by the employees' supervisor	Yes	

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Kings Local School District  
Warren County  
1797 King Avenue  
Kings Mills, Ohio 45034

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 18, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 25, 2014

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# Dave Yost • Auditor of State

**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  
APRIL 8, 2014**