



**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Kings Local School District, Warren County, Ohio, (the District) as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kings Local School District, Warren County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

January 30, 2001

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**KINGS LOCAL SCHOOL DISTRICT**  
Warren County

Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2000

**GOVERNMENTAL FUND TYPES**

	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$4,062,132	\$420,160	\$2,126,667	\$22,199,655
Cash and Cash Equivalents with Fiscal Agents	0	0	866	0
Receivables:				
Property Taxes	12,420,746	0	2,744,960	927,213
Payments in Lieu of Taxes	336,000			
Accounts	16,784	665	0	0
Intergovernmental	10,266	0	0	0
Accrued Interest	100,625	0	0	0
Interfund	15,833	0	0	0
Due From Other Funds	2,702	0	0	0
Prepaid Items	27,158	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	347,012	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$17,339,258</b>	<b>\$420,825</b>	<b>\$4,872,493</b>	<b>\$23,126,868</b>
<b><u>Liabilities, Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$88,195	\$21,109	\$175	\$40,931
Contracts Payable	12,942	3,453	0	615,329
Retainage Payable	0	0	0	18,443
Accrued Wages and Benefits Payable	1,304,007	29,755	0	3,808
Compensated Absences Payable	68,999	0	0	0
Intergovernmental Payable	462,641	1,943	0	225
Due to Other Funds	0	0	0	0
Interfund Payable	0	15,833	0	0
Deferred Revenue	11,936,088	0	2,536,443	858,913
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
Matured Interest Payable	0	0	866	0
Energy Conservation Loan Payable	0	0	0	0
Asbestos Removal Loan Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>13,872,872</b>	<b>72,093</b>	<b>2,537,484</b>	<b>1,537,649</b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	389,035	117,962	0	17,016,879
Reserved for Property Taxes	840,315	0	208,517	68,300
Reserved for Budget Stabilization	305,304	0	0	0
Reserved for Bus Purchase	41,708	0	0	0
Unreserved:				
Designated for Budget Stabilization	12,843	0	0	0
Undesignated	1,877,181	230,770	2,126,492	4,504,040
<b>Total Fund Equity and Other Credits</b>	<b>3,466,386</b>	<b>348,732</b>	<b>2,335,009</b>	<b>21,589,219</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$17,339,258</b>	<b>\$420,825</b>	<b>\$4,872,493</b>	<b>\$23,126,868</b>

See Accompanying Notes to the Financial Statements



<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$432,229	\$55,194	\$0	\$0	\$29,296,037
0	0	0	0	866
0	0	0	0	16,092,919
0	0	0	0	336,000
690	102	0	0	18,241
13,914	0	0	0	24,180
0	0	0	0	100,625
0	0	0	0	15,833
0	0	0	0	2,702
0	0	0	0	27,158
32,408	0	0	0	32,408
17,952	0	0	0	17,952
0	0	0	0	347,012
425,749	0	42,046,286	0	42,472,035
0	0	0	2,335,009	2,335,009
0	0	0	39,812,588	39,812,588
<u>\$922,942</u>	<u>\$55,296</u>	<u>\$42,046,286</u>	<u>\$42,147,597</u>	<u>\$130,931,565</u>
\$18,079	\$325	\$0	\$0	\$168,814
0	8,000	0	0	639,724
0	0	0	0	18,443
55,984	0	0	0	1,393,554
51,720	0	0	717,831	838,550
80,596	0	0	173,903	719,308
2,702	0	0	0	2,702
0	0	0	0	15,833
30,808	0	0	0	15,362,252
0	46,971	0	0	46,971
1,150	0	0	315,817	316,967
0	0	0	0	866
0	0	0	500,000	500,000
0	0	0	176,864	176,864
0	0	0	40,263,182	40,263,182
<u>241,039</u>	<u>55,296</u>	<u>0</u>	<u>42,147,597</u>	<u>60,464,030</u>
0	0	42,046,286	0	42,046,286
443,166	0	0	0	443,166
238,737	0	0	0	238,737
0	0	0	0	17,523,876
0	0	0	0	1,117,132
0	0	0	0	305,304
0	0	0	0	41,708
0	0	0	0	12,843
0	0	0	0	8,738,483
<u>681,903</u>	<u>0</u>	<u>42,046,286</u>	<u>0</u>	<u>70,467,535</u>
<u>\$922,942</u>	<u>\$55,296</u>	<u>\$42,046,286</u>	<u>\$42,147,597</u>	<u>\$130,931,565</u>

**KINGS LOCAL SCHOOL DISTRICT**  
Warren County

Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2000

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$12,216,336	\$0	\$1,390,090	\$2,029,373	\$15,635,799
Intergovernmental	7,203,398	945,023	271,224	95,642	8,515,287
Interest	310,071	8,026	746,684	23,614	1,088,395
Tuition and Fees	7,250	0	0	0	7,250
Extracurricular Activities	0	121,933	0	0	121,933
Gifts and Donations	24,329	12,761	0	0	37,090
Rent	3,099	0	0	0	3,099
Customer Services	13,257	0	0	0	13,257
Revenue in Lieu of Taxes	213,634	0	0	0	213,634
Miscellaneous	77,261	246,878	0	80,000	404,139
<i>Total Revenues</i>	<u>20,068,635</u>	<u>1,334,621</u>	<u>2,407,998</u>	<u>2,228,629</u>	<u>26,039,883</u>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	10,279,736	152,767	0	105,123	10,537,626
Special	1,248,993	179,262	0	0	1,428,255
Support Services:					
Pupils	855,658	100,708	0	5,352	961,718
Instructional Staff	688,107	91,007	0	10,448	789,562
Board of Education	26,077	0	0	0	26,077
Administration	2,022,168	1,348	0	133,944	2,157,460
Fiscal	582,937	0	38,451	20,150	641,538
Business	133,301	0	0	0	133,301
Operation and Maintenance of Plant	2,206,798	10,133	0	692,542	2,909,473
Pupil Transportation	1,412,934	3,500	0	0	1,416,434
Central	166,209	6,380	0	0	172,589
Operation of Non-Instructional Services					
Services	3,054	426,801	0	3,941	433,796
Extracurricular Activities	453,513	349,434	0	173,709	976,656
Capital Outlay	0	0	0	2,557,084	2,557,084
Debt Service:					
Principal Retirement	104,703	0	1,210,000	94,740	1,409,443
Interest and Fiscal Charges	39,443	0	253,657	1,093,013	1,386,113
<i>Total Expenditures</i>	<u>20,223,631</u>	<u>1,321,340</u>	<u>1,502,108</u>	<u>4,890,046</u>	<u>27,937,125</u>
Excess of Revenues Over (Under) Expenditures	<u>(154,996)</u>	<u>13,281</u>	<u>905,890</u>	<u>(2,661,417)</u>	<u>(1,897,242)</u>
<b><u>Other Financing Sources:</u></b>					
Proceeds from Sale of Bonds	0	0	0	23,500,000	23,500,000
Proceeds from Sale of Fixed Assets	0	0	0	674	674
Inception of Capital Lease	0	0	0	312,611	312,611
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,813,285</u>	<u>23,813,285</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(154,996)</u>	<u>13,281</u>	<u>905,890</u>	<u>21,151,868</u>	<u>21,916,043</u>
Fund Balances at Beginning of Year - Restated (Note 23)	<u>3,621,382</u>	<u>335,451</u>	<u>1,429,119</u>	<u>437,351</u>	<u>5,823,303</u>
Fund Balances at End of Year	<u>\$3,466,386</u>	<u>\$348,732</u>	<u>\$2,335,009</u>	<u>\$21,589,219</u>	<u>\$27,739,346</u>

See Accompanying Notes to the Financial Statements

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**KINGS LOCAL SCHOOL DISTRICT**  
Warren County

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2000

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$10,602,138	\$11,792,916	\$1,190,778	\$0	\$0	\$0
Intergovernmental	6,469,660	7,196,301	726,641	999,577	945,023	(54,554)
Interest	311,744	346,756	35,012	7,989	8,026	37
Tuition and Fees	6,518	7,250	732	0	0	0
Extracurricular Activities	0	0	0	114,584	121,933	7,349
Gifts and Donations	21,872	24,329	2,457	11,082	12,761	1,679
Rent	2,606	2,899	293	0	0	0
Customer Services	11,918	13,257	1,339	0	0	0
Revenue in Lieu of Taxes	213,634	213,634	0	0	0	0
Miscellaneous	24,194	50,906	26,712	210,909	246,302	35,393
<b>Total Revenues</b>	<b>17,664,284</b>	<b>19,648,248</b>	<b>1,983,964</b>	<b>1,344,141</b>	<b>1,334,045</b>	<b>(10,096)</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	10,627,782	10,628,796	(1,014)	212,201	189,913	22,288
Special	1,259,754	1,259,754	0	203,334	182,604	20,730
Other	128,355	128,355	0	0	0	0
Support Services:						
Pupils	877,702	877,702	0	208,626	101,214	107,412
Instructional Staff	704,681	704,681	0	125,691	113,160	12,531
Board of Education	26,578	26,578	0	0	0	0
Administration	2,114,046	2,114,046	0	1,348	1,348	0
Fiscal	596,369	596,369	0	0	0	0
Business	145,685	145,685	0	0	0	0
Operation and Maintenance of Plant	2,458,757	2,411,932	46,825	12,082	12,082	0
Pupil Transportation	1,543,446	1,543,446	0	3,500	3,500	0
Central	173,363	173,363	0	42,462	6,380	36,082
Operation of Non-Instructional						
Services	3,110	3,110	0	494,004	472,497	21,507
Extracurricular Activities	488,693	488,693	0	380,123	370,798	9,325
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	80,000	80,000	0	0	0	0
Interest and Fiscal Charges	39,443	39,443	0	0	0	0
<b>Total Expenditures</b>	<b>21,267,764</b>	<b>21,221,953</b>	<b>45,811</b>	<b>1,683,371</b>	<b>1,453,496</b>	<b>229,875</b>
Excess of Revenues Over (Under) Expenditures	(3,603,480)	(1,573,705)	2,029,775	(339,230)	(119,451)	219,779
<b>Other Financing Sources (Uses):</b>						
Proceeds From Sale of Notes	0	0	0	0	0	0
Proceeds From Sale of Bonds	0	0	0	0	0	0
Proceeds From Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	26,659	26,659	0	89	89	0
Refund of Prior Year Receipts	(989)	(989)	0	(749)	(749)	0
Advances In	4,580	4,580	0	15,833	15,833	0
Advances Out	(15,833)	(15,833)	0	(4,580)	(4,580)	0
<b>Total Other Financing Sources (Uses)</b>	<b>14,417</b>	<b>14,417</b>	<b>0</b>	<b>10,593</b>	<b>10,593</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,589,063)	(1,559,288)	2,029,775	(328,637)	(108,858)	219,779
Fund Balances at Beginning of Year	5,049,308	5,049,308	0	207,913	207,913	0
Prior Year Encumbrances Appropriated	560,785	560,785	0	183,300	183,300	0
<b>Fund Balances at End of Year</b>	<b>\$2,021,030</b>	<b>\$4,050,805</b>	<b>\$2,029,775</b>	<b>\$62,576</b>	<b>\$282,355</b>	<b>\$219,779</b>

See Accompanying Notes to the Financial Statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,868,297	\$2,359,870	\$491,573	\$901,982	\$901,982	\$0	\$13,372,417	\$15,054,768	\$1,682,351
215,556	271,224	55,668	55,624	95,642	40,018	7,740,417	8,508,190	767,773
591,146	746,684	155,538	20,721	23,614	2,893	931,600	1,125,080	193,480
0	0	0	0	0	0	6,518	7,250	732
0	0	0	0	0	0	114,584	121,933	7,349
0	0	0	0	0	0	32,954	37,090	4,136
0	0	0	0	0	0	2,606	2,899	293
0	0	0	0	0	0	11,918	13,257	1,339
0	0	0	0	0	0	213,634	213,634	0
0	0	0	80,000	80,000	0	315,103	377,208	62,105
<u>2,674,999</u>	<u>3,377,778</u>	<u>702,779</u>	<u>1,058,327</u>	<u>1,101,238</u>	<u>42,911</u>	<u>22,741,751</u>	<u>25,461,309</u>	<u>2,719,558</u>
0	0	0	125,188	125,188	0	10,965,171	10,943,897	21,274
0	0	0	0	0	0	1,463,088	1,442,358	20,730
0	0	0	0	0	0	128,355	128,355	0
0	0	0	5,352	5,352	0	1,091,680	984,268	107,412
0	0	0	22,909	22,909	0	853,281	840,750	12,531
0	0	0	0	0	0	26,578	26,578	0
0	0	0	161,665	161,665	0	2,277,059	2,277,059	0
38,276	38,276	0	20,150	20,150	0	654,795	654,795	0
0	0	0	0	0	0	145,685	145,685	0
0	0	0	791,471	760,553	30,918	3,262,310	3,184,567	77,743
0	0	0	160,000	160,000	0	1,706,946	1,706,946	0
0	0	0	0	0	0	215,825	179,743	36,082
0	0	0	3,941	3,941	0	501,055	479,548	21,507
0	0	0	188,374	188,374	0	1,057,190	1,047,865	9,325
0	0	0	20,391,000	19,089,702	1,301,298	20,391,000	19,089,702	1,301,298
22,210,000	22,210,000	0	94,740	94,740	0	22,384,740	22,384,740	0
1,459,327	1,859,097	(399,770)	0	0	0	1,498,770	1,898,540	(399,770)
<u>23,707,603</u>	<u>24,107,373</u>	<u>(399,770)</u>	<u>21,964,790</u>	<u>20,632,574</u>	<u>1,332,216</u>	<u>68,623,528</u>	<u>67,415,396</u>	<u>1,208,132</u>
<u>(21,032,604)</u>	<u>(20,729,595)</u>	<u>303,009</u>	<u>(20,906,463)</u>	<u>(19,531,336)</u>	<u>1,375,127</u>	<u>(45,881,777)</u>	<u>(41,954,087)</u>	<u>1,511,426</u>
0	0	0	21,000,000	21,000,000	0	21,000,000	21,000,000	0
21,000,000	21,000,000	0	2,500,000	2,500,000	0	23,500,000	23,500,000	0
0	0	0	674	674	0	674	674	0
0	0	0	0	0	0	26,748	26,748	0
0	0	0	0	0	0	(1,738)	(1,738)	0
0	0	0	0	0	0	20,413	20,413	0
0	0	0	0	0	0	(20,413)	(20,413)	0
<u>21,000,000</u>	<u>21,000,000</u>	<u>0</u>	<u>23,500,674</u>	<u>23,500,674</u>	<u>0</u>	<u>44,525,684</u>	<u>44,525,684</u>	<u>0</u>
(32,604)	270,405	303,009	2,594,211	3,969,338	1,375,127	(1,356,093)	2,571,597	3,927,690
1,857,128	1,857,128	0	473,365	473,365	0	7,587,714	7,587,714	0
0	0	0	93,380	93,380	0	837,465	837,465	0
<u>\$1,824,524</u>	<u>\$2,127,533</u>	<u>\$303,009</u>	<u>\$3,160,956</u>	<u>\$4,536,083</u>	<u>\$1,375,127</u>	<u>\$7,069,086</u>	<u>\$10,996,776</u>	<u>\$3,927,690</u>

**KINGS LOCAL SCHOOL DISTRICT**  
Warren County

Combined Statement of Revenues,  
Expenses and Changes in Fund Equity  
All Enterprise Funds  
For the Fiscal Year Ended June 30, 2000

**Operating Revenues:**

Tuition	\$742,896
Sales	830,381
Other	<u>4,923</u>

*Total Operating Revenues* 1,578,200

**Operating Expenses:**

Salaries	825,340
Fringe Benefits	273,857
Purchased Services	3,565
Materials and Supplies	151,707
Cost of Sales	371,591
Depreciation	39,961
Other	<u>62,202</u>

*Total Operating Expenses* 1,728,223

Operating Loss (150,023)

**Non-Operating Revenues:**

Federal Donated Commodities	56,335
Federal and State Subsidies	114,706
Interest	8,718
Other Non-Operating Revenues	<u>5,032</u>

*Total Non-Operating Revenues* 184,791

Net Income 34,768

Retained Earnings at Beginning of Year - Restated (Note 23) 203,969

Retained Earnings at End of Year 238,737

Contributed Capital at Beginning and End of Year 443,166

Total Fund Equity at End of Year \$681,903

See Accompanying Notes to the Financial Statements

**KINGS LOCAL SCHOOL DISTRICT**

Warren County

Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Budget and Actual (Budget Basis)  
All Enterprise Funds  
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Tuition	\$630,882	\$742,464	\$111,582
Sales	734,573	830,123	95,550
Other Revenues	9,303	9,955	652
Federal and State Subsidies	112,543	112,543	0
Interest	8,786	8,786	0
<i>Total Revenues</i>	<u>1,496,087</u>	<u>1,703,871</u>	<u>207,784</u>
<b><u>Expenses:</u></b>			
Salaries	832,630	870,503	(37,873)
Fringe Benefits	278,020	278,020	0
Purchased Services	85,558	15,784	69,774
Materials and Supplies	517,427	517,427	0
Other	69,181	69,181	0
Capital Outlay	1,540	1,540	0
<i>Total Expenses</i>	<u>1,784,356</u>	<u>1,752,455</u>	<u>31,901</u>
Excess of Revenues Over (Under) Expenses	(288,269)	(48,584)	239,685
Fund Equity at Beginning of Year	262,718	262,718	0
Prior Year Encumbrances Appropriated	<u>140,633</u>	<u>140,633</u>	<u>0</u>
Fund Equity at End of Year	<u>\$115,082</u>	<u>\$354,767</u>	<u>\$239,685</u>

See Accompanying Notes to the Financial Statements

**KINGS LOCAL SCHOOL DISTRICT**  
Warren County

Combined Statement of Cash Flows  
All Enterprise Funds  
For the Fiscal Year Ended June 30, 2000

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$1,572,587
Other Operating Receipts	4,923
Cash Payments to Suppliers for Goods and Services	(467,215)
Cash Payments to Employees for Services and Benefits	(1,147,991)
Other Non-Operating Receipts	5,032
Other Operating Expenses	(56,714)
	<hr/>
Net Cash Used In Operating Activities	(89,378)

Cash Flows from Noncapital Financing Activities:

Federal and State Subsidies	112,543
	<hr/>
Net Cash Provided By Noncapital Financing Activities	112,543

Cash Flows from Capital and Related Financing Activities:

Principal Paid on Capital Lease	(1,533)
Acquisition of Capital Assets	(1,540)
	<hr/>
Net Cash Used In Capital and Related Financing Activities	(3,073)

Cash Flows from Investing Activities:

Interest	8,718
	<hr/>
Net Cash Provided By Investing Activities	8,718
Net Increase in Cash and Cash Equivalents	28,810
Cash and Cash Equivalents at Beginning of Year	403,419
	<hr/>
Cash and Cash Equivalents at End of Year	<u>\$432,229</u>

Reconciliation of Operating Loss to Net

Cash Used In Operating Activities:

Operating Loss	(\$150,023)
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Adjustments to Reconcile Operating Loss

to Net Cash Used In Operating Activities:

Depreciation	39,961
Donated Commodities Received	56,335
Other Non-Operating Revenues Received	5,032
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(690)
Decrease in Inventory Held for Resale	7,202
Increase in Materials and Supplies Inventory	(967)
Increase in Accounts Payable	1,938
Decrease in Contracts Payable	(674)
Increase in Due to Other Funds	2,702
Decrease in Accrued Wages and Benefits Payable	(48,050)
Decrease in Compensated Absences Payable	(4,621)
Increase in Intergovernmental Payable	2,477
	<hr/>

Net Cash Used In Operating Activities	<u>(\$89,378)</u>
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See Accompanying Notes to the Financial Statements



Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000

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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 1950's through the consolidation of existing land areas and school districts. The School District serves an area of approximately 23 square miles. It is located in Warren County, and includes portions of Deerfield and Union Townships. The School District is staffed by 174 non-certificated employees, 223 certificated full-time teaching personnel and 23 administrative employees who provide services to 3,518 students and other community members. The School District currently operates 6 instructional buildings and 1 garage.

*Reporting Entity:*

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

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

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

- O City of Mason
- O Parochial Schools
- O Parent Teacher Organizations

The School District is associated with four organizations, three of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations include the Southwestern Ohio Computer Association, the Warren County Career Center, the Southwestern Ohio Instructional Technology Association and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**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 standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

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

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

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

*Governmental Fund Types:*

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

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

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

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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

*Proprietary Fund Type:*

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

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

*Fiduciary Fund Type:*

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

*Account Groups:*

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

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

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

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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**B. Measurement Focus and Basis of Accounting**

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

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

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Accounts and intergovernmental receivables, in some instances, are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of June 30, 2000 which are intended to finance fiscal year 2001 operations and delinquent property taxes, whose availability is indeterminable, have been recorded as deferred revenue.

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.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

*Tax Budget:*

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

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

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriations was legally enacted. However, this amendment was not significant.

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

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Cash and Cash Equivalents**

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

During fiscal year 2000, investments were limited to certificates of deposit, a repurchase agreement, Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, Federal National Mortgage Medium Term Notes and STAR Ohio. Nonparticipating investment contracts such as certificates of deposit and repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$310,071, which includes \$242,917 assigned from other School District funds. The School District also received interest in the special revenue funds, the debt service fund, the capital projects funds and the enterprise funds in the amounts of \$8,026, \$746,684, \$23,614 and \$8,718, respectively.

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

**E. Inventory**

Inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of enterprise funds consist of donated food, purchased food, non-food supplies and school supplies held for resale and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Fixed Assets and Depreciation**

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

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

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

**H. Intergovernmental Revenues**

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

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

*Entitlements*

*General Fund*

State Foundation Program  
School Bus Program

*Non-Reimbursable Grants*

*Special Revenue Funds*

Auxiliary Services  
Entry Year Grant  
Family and School Partnership Grant  
Professional Development Block Grant  
Education Management Information Systems  
Dwight D. Eisenhower



Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Textbooks/Instructional Materials Subsidy  
Power-Up for Technology

*Special Revenue Funds*

Title I  
Title VI  
Title VI-B  
Drug-Free Schools  
Preschool Handicapped Grant  
Title VI -R  
Collaborative Language  
Virtual Middle School

*Enterprise Funds*

Federal Preschool-Handicapped

*Capital Projects Funds*

School Net  
School Net Plus

*Reimbursable Grants*

*General Fund*

Driver Education

*Special Revenue Funds*

Ohio Reads  
E-Rate

*Enterprise Funds*

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 33 percent of governmental revenue during the 2000 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables.” Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “Due from Other Funds” or “Due to Other Funds” on the balance sheet.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**J. Compensated Absences**

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Interfund Transactions**

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

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required to be set-aside by the School District for the creation of a reserve for budget stabilization.

**O. Estimates**

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

**P. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. There was no change in contributed capital during fiscal year 2000.

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

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Q. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).
4. For enterprise funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as a balance sheet transaction (GAAP basis).
6. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

7. State statute requires short-term note debt to be repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$154,996)	\$13,281	\$905,890	\$21,151,868
Revenue Accruals	(393,728)	(487)	(123,234)	(346,988)
Expenditure Accruals	(518,942)	4,900	(512,251)	828,030
Prepaid Items	15,051	0	0	0
Note Proceeds	0	0	0	21,000,000
Principal Payment	0	0	(21,000,000)	0
Bond Proceeds	0	0	21,000,000	(21,000,000)
Interest	0	0	(1,093,014)	1,093,014
Allocation of Revenue	0	0	1,093,014	(1,093,014)
Advances	(11,253)	11,253	0	0
Encumbrances	(495,420)	(137,805)	0	(17,663,572)
Budget Basis	(\$1,559,288)	(\$108,858)	\$270,405	\$3,969,338

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

Net Income/Excess of Revenues Under Expenses All Enterprise Funds	
GAAP Basis	\$34,768
Revenue Accruals	(2,785)
Expense Accruals	(35,286)
Acquisition of Capital Assets	(1,540)
Materials and Supplies Inventory	967
Inventory Held for Resale	(7,207)
Depreciation	39,961
Encumbrances	<u>(77,462)</u>
Budget Basis	<u><u>(\$48,584)</u></u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

***Cash on Hand:*** At year end, the School District had \$4,075 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

**Deposits:** At year end, the carrying amount of the School District's deposits was \$10,764,613 and the bank balance was \$10,857,155. Of the bank balance:

1. \$8,342,065 was covered by depository insurance; and
2. \$2,515,090 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with requirements could potentially subject the School District held to a successful claim by the FDIC.

**Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Unclassified	Category 1	Category 2	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$0	\$0	\$0	\$6,068,458	\$6,068,458	\$6,068,458
STAR Ohio	5,470,081	0	0	0	5,470,081	5,470,081
Federal Home Loan Bank Bonds	0	500,000	1,498,760	0	1,998,760	1,998,760
Federal National Mortgage Association (FNMA)	0	0	2,013,120	0	2,013,120	2,013,120
Federal National Mortgage Medium Term Notes	0	0	3,324,808	0	3,324,808	3,324,808
<b>Total</b>	<b><u>\$5,470,081</u></b>	<b><u>\$500,000</u></b>	<b><u>\$6,836,688</u></b>	<b><u>\$6,068,458</u></b>	<b><u>\$18,875,227</u></b>	<b><u>\$18,875,227</u></b>

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



Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$29,643,915	\$0
Cash on Hand	(4,075)	0
Investments:		
Repurchase Agreement	(6,068,458)	6,068,458
STAR Ohio	(5,470,081)	5,470,081
Federal Home Loan Bank Bonds	(1,998,760)	1,998,760
Federal National Mortgage Association	(2,013,120)	2,013,120
Federal National Mortgage Medium Term Notes	(3,324,808)	3,324,808
GASB Statement 3	\$10,764,613	\$18,875,227

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) is for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value listed as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien on December 31, 1999, are levied after April 1, 2000, and are collected in 2001 with real property taxes.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 5 - PROPERTY TAXES** (continued)

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$364,223,990	84.28%	\$387,377,840	83.31%
Public Utility	22,253,760	5.15	21,936,470	4.72
Tangible Personal Property	45,702,587	10.57	55,648,441	11.97
Total Assessed Value	\$432,180,337	100.00%	\$464,962,751	100.00%
Tax rate per \$1,000 of assessed valuation	\$52.48		\$53.57	

The tax rate increased due to a new levy for the construction of a new school building. 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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$840,315 in the general fund, \$208,517 in the bond retirement debt service fund, and \$68,300 in the permanent improvement capital projects fund.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2000, consisted of property taxes, accounts (rent, and student fees), intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds. Intergovernmental receivables consists of a receivable for a tax abatement agreement that the School District has with the City of Lebanon, driver's education, tuition and fees, and reimbursements from the Department of Education in the general fund in the amounts of \$336,000, \$5,900, \$3,169, and \$1,197, respectively. The lunchroom enterprise fund had an intergovernmental receivable in the amount of \$13,914 for federal and state subsidies for breakfast and lunches.

**NOTE 7 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$870,354
Less: Accumulated Depreciation	<u>(444,605)</u>
Net Fixed Assets	<u><u>\$425,749</u></u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Restated Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$5,314,752	\$504,336	\$0	\$5,819,088
Buildings and Improvements	28,694,878	0	0	28,694,878
Furniture, Fixtures and Equipment	3,891,157	1,011,770	12,543	4,890,384
Vehicles	2,290,262	119,100	0	2,409,362
Construction in Progress	0	232,574	0	<u>232,574</u>
Totals	<u><u>\$40,191,049</u></u>	<u><u>\$1,867,780</u></u>	<u><u>\$12,543</u></u>	<u><u>\$42,046,286</u></u>

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 8 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for fleet insurance and liability insurance. Property is protected by Indiana Insurance.

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

Building and Contents - replacement cost (\$1,000 deductible)	\$47,590,668
Boiler and Machinery (\$250 deductible)	4,000,000
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	3,000,000
Uninsured Motorists (\$250 deductible)	500,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

**B. Workers' Compensation**

For fiscal year 2000, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$186,617, \$275,360, and \$276,349, respectively; 37.05 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$117,475 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$652,756, \$519,765, and \$905,939, respectively; 82.70 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$112,954 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the Board pay into SERS.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$870,342 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount contributed to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$334,715.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,874 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel except administrators who can accrue up to a maximum of 260 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52.50 days for all employees except administrators who can receive payment at fifty percent, up to a maximum of 130 days. This criteria is used for all employees who have a minimum of five years and no more than eleven years of service with the School District. Those employees who have less than five years of service with the School District do not receive sick leave payments. For all employees who have been with the School District a minimum of twelve or more years, payment is made for one-third of accrued, but unused sick leave credit to a maximum of 70 days for all employees except for administrators who can receive a maximum of 130 days. For fiscal year 2000 and 2001, any teacher who retires when first eligible will receive one-half of their sick leave balance as severance, provided that they have been with the school district for a minimum of twelve years.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 11 - OTHER EMPLOYEE BENEFITS** (continued)

**B. Health Care Benefits**

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

**C. Life Insurance**

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

**D. Special Termination Benefit**

During fiscal years 1996 and 1997, the School District offered an early retirement incentive to those certified employees who submitted a letter to the Superintendent and Treasurer by June 30 of the respective year and who were eligible to retire under the State Teachers Retirement System. A teacher who elected to participate, received his/her severance payment in three consecutive payments, each in January, with the first paid in January immediately following the year of retirement. Fiscal year 2000 was when the last payment was made, and no new offers have been extended to employees by the Board of Education.

**NOTE 12 - SHORT-TERM OBLIGATIONS**

During fiscal year 2000, the School District issued and paid \$21,000,000 school improvement bond anticipation notes with an interest rate of 6.5%. These notes were paid from the proceeds of the bond issue that the School District received.



Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Amount Outstanding 6/30/99	Additions	Deductions	Amount Outstanding 6/30/00
School Improvement				
Bond 1979 6.75%	\$10,000	\$0	\$10,000	\$0
School Improvement				
Bond 1979 6.25%	30,000	0	30,000	0
School Improvement				
Bond 1980 8.00%	40,000	0	20,000	20,000
School Improvement				
Bond 1981 11.625%	25,000	0	10,000	15,000
School Improvement				
Bond 1994 6.70%	1,200,000	0	100,000	1,100,000
School Improvement				
Bond 1995 5.86%	12,005,000	0	600,000	11,405,000
School Improvement				
Bond 1998 4.45%	4,663,182	0	440,000	4,223,182
EPA Asbestos				
Loan 1993 0.00%	191,604	0	14,740	176,864
Energy Conservation				
Loan 1993 4.65%	195,000	0	35,000	160,000
Energy Conservation				
Loan 1998 4.20%	465,000	0	125,000	340,000
School Improvement				
Bonds 1999 4.75%	0	2,500,000	0	2,500,000
School Improvement				
Bonds 2000 5.47%	0	21,000,000	0	21,000,000
<b>Total Long-Term Bonds and Loans</b>	<b>\$18,824,786</b>	<b>\$23,500,000</b>	<b>\$1,384,740</b>	<b>\$40,940,046</b>

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

	Amount Outstanding 6/30/99	Additions	Deductions	Amount Outstanding 6/30/00
Capital Leases	\$10,863	\$312,611	\$7,657	\$315,817
Intergovernmental Payable	171,721	173,903	171,721	173,903
Early Retirement Incentive	17,046	0	17,046	0
Compensated Absences	643,536	74,295	0	717,831
Total General Long-Term Obligations	<u>\$19,667,952</u>	<u>\$24,060,809</u>	<u>\$1,581,164</u>	<u>\$42,147,597</u>

**A. 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 2000 to 2022. The interest rates vary from 4.20% to 11.625%. The bonds are being paid from the general fund, debt service fund and the permanent improvement capital projects fund.

In fiscal year 1999, the School District defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the School District's financial statements. As of June 30, 2000, \$4,223,182 of bonds outstanding are considered defeased.

During fiscal year 2000, the School District issued \$21,000,000 in general obligation bonds for the purpose of retiring the \$21,000,000 bond anticipation notes issued during the year. The final maturity date is December 1, 2025. The interest rate is 5.47%. The bonds will be paid from the bond retirement debt service fund.

Also during fiscal year 2000, the School District issued \$2,500,000 in general obligation bonds as a result of the passage of a new 1 mil tax levy. The final maturity date is December 1, 2024. The interest rate is 4.75%. The bonds will be paid from the bond retirement debt service fund.

**B. Energy Conservation Loans**

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

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

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

**C. EPA Asbestos Loan**

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

**D. Other Long-Term Obligations**

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

Changes in the long-term obligations reported in the latchkey enterprise fund during fiscal year 2000 were as follows:

	Amount Outstanding 6/30/99	Additions	Deductions	Amount Outstanding 6/30/00
Capital Leases	\$2,683	\$0	\$1,533	\$1,150

The School District's overall legal debt margin was \$3,918,466, the energy conservation loan debt margin was \$3,507,801 and the unvoted debt margin was \$464,963 at June 30, 2000.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$1,445,000	\$2,279,161	\$3,724,161
2002	710,000	2,227,937	2,937,937
2003	825,000	2,192,248	3,017,248
2004	945,000	2,152,115	3,097,115
2005	1,100,000	2,103,260	3,203,260
2006-2010	7,172,768	10,345,004	17,517,772
2011-2015	5,395,414	7,673,956	13,069,370
2016-2020	9,900,000	4,992,942	14,892,942
2021-2025	12,770,000	2,124,605	14,894,605
Total	<u>\$40,263,182</u>	<u>\$36,091,228</u>	<u>\$76,354,410</u>

Principal and interest requirements to retire energy conservation loans outstanding at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$130,000	\$19,050	\$149,050
2002	115,000	13,759	128,759
2003	105,000	8,944	113,944
2004	100,000	4,404	104,404
2005	50,000	1,088	51,088
Total	<u>\$500,000</u>	<u>\$47,245</u>	<u>\$547,245</u>

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

Principal requirements to retire the EPA asbestos loan outstanding at June 30, 2000, is as follows:

Fiscal year Ending June 30,	Principal
2001	\$14,740
2002	14,740
2003	14,740
2004	14,740
2005	14,740
2006-2010	73,700
2011-2012	29,464
Total	<u><u>\$176,864</u></u>

**NOTE 14 - INTERFUND ACTIVITY**

At June 30, 2000, the School District had an interfund receivable in the general fund of \$15,833 and an interfund payable in the title VI-B special revenue fund of \$15,833. There was also a due from other funds in the general fund for \$2,702 and a due to other funds in the latchkey enterprise fund of \$2,702.

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE**

During the year, the District entered into a new capital lease for the acquisition of a voice, video, and data wide area network. The lease agreement is accounted for as a capital outlay expenditure in the permanent improvement capital projects fund with an offsetting amount reported as an other financing source, inception of capital lease. The School District also had other capital leases outstanding from prior years. The terms of all outstanding leases provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the General Purpose Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE** (continued)

General fixed assets consisting of two copiers and the new voice, video, and data equipment have been capitalized in the general fixed assets account group in the amount of \$335,583, which represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. One copier has been capitalized in the latchkey enterprise fund. The original amount recorded was \$4,600, accumulated depreciation is \$3,450, and the carrying value of this leased asset is \$1,150. Principal payments in fiscal year 2000 totaled \$7,657 in the general fund and \$1,533 in the latchkey enterprise fund. No principal payments were required on the new lease during the fiscal year.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	GLTOAG	Enterprise
2001	\$3,206	\$1,150
2002	110,587	0
2003	110,587	0
2004	110,587	0
Total	334,967	1,150
Less: Amount Representing Interest	(19,150)	0
Present Value of Net Minimum Lease Payments	\$315,817	\$1,150

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains four enterprise funds to account for the operations of the food service, uniform school supplies, preschool, and latchkey. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS** (continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Preschool</u>	<u>Latchkey</u>	<u>Total</u>
Operating Revenues	\$696,731	\$135,194	\$208,784	\$537,491	\$1,578,200
Depreciation Expense	33,695	0	3,245	3,051	39,961
Operating Income (Loss)	(140,257)	19,242	111,167	(140,175)	(150,023)
Net Non-Operating Revenues Excluding Federal and State Subsidies	70,085	0	0	0	70,085
Federal and State Subsidies	102,868	0	11,838	0	114,706
Net Income (Loss)	32,696	19,242	123,005	(140,175)	34,768
Net Working Capital	136,020	47,163	84,141	25,677	293,001
Total Assets	560,774	58,095	130,003	174,070	922,942
Long-Term Liabilities Payable From Revenue	20,367	0	0	16,480	36,847
Total Equity	436,028	47,163	98,978	99,734	681,903
Encumbrances at June 30, 2000	22,696	38,088	5,600	11,078	77,462

**NOTE 17 - 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. The School District paid SWOCA \$29,233 for services provided during fiscal year 2000. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

*Warren County Career Center* - The Warren County Career Center is a distinct political subdivision of the State of Ohio. It is operated under the direction of a Board consisting of one of the elected board members from each of the participating school districts, 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. During fiscal year 2000, the School District did not make any contributions to the Warren County Career Center. Financial information can be obtained from Bill Shepherd, who serves as director, at 3525 State Route 48, Lebanon, Ohio 45036.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

*Southwestern Ohio Instructional Technology Association* - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e, Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members as the State- assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2000, the School District paid \$3,670 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**NOTE 18 - INSURANCE PURCHASING POOL**

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

**NOTE 19 - SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's school foundation program, which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$5,904,919 of basic school foundation support for its general fund.



Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 19 - SCHOOL FUNDING COURT DECISION** (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the Ohio Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s school Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**NOTE 20 - SET-ASIDE CALCULATIONS**

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

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

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

**NOTE 20 - SET-ASIDE CALCULATIONS** (continued)

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	Budget <u>Stabilization</u>
Set-aside Reserve Balance as of June 30, 1999	\$0	\$0	\$218,755
Current Year Set-aside Requirement	474,209	474,209	158,070
Additional Money Set-aside	0	0	13,251
Current Year Offsets	0	(981,982)	(71,929)
Qualifying Disbursements	(512,235)	0	0
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$38,026)</u>	<u>(\$507,773)</u>	<u>\$318,147</u>
Set-aside Reserve Balances as of June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$305,304</u>

The capital acquisition and the textbooks and instructional materials set-aside balances can be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$305,304.

**NOTE 21 - CONTRACTUAL COMMITMENTS**

The School District had the following contractual commitments outstanding as of June 30, 2000:

Vendor	Amount
Seasongood and Mayer	\$26,450
Fanning/Howey Associates	128,385
A-1 Sprinkler Company	206,199
Active Electric	455,930
Arctic Heating & Air	1,554,800
Batts Construction	303,500
ESI Inc.	602,000
Leo J. Brielmayer Co.	1,216,695

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 21 - CONTRACTUAL COMMITMENTS** (continued)

<u>Vendor</u>	<u>Amount</u>
Library Design Associates Inc.	\$24,107
Quantum Construction Company	9,505,226
Queen City Mechanicals Inc.	98,254
Thomas J. Dyer Co.	325,877
Weisberger Electric Co.	573,774
The Farnham Co.	345,900
Ken Nayer Plumbing	325,850
CINFAB Inc.	1,185,800
U.S. Foodservice Contractors	400,000
Cincy Fire Protection Inc.	20,800

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**B. Litigation**

The School District does not have any pending litigation.

Kings Local School District  
Warren County

Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2000  
(Continued)

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**NOTE 23 - PRIOR PERIOD ADJUSTMENTS**

The general fixed assets account group was overstated in the prior year due to some enterprise fund fixed assets being recorded in the wrong fund. Beginning balance in the general fixed asset account group decreased by \$231,955 from \$40,423,004 to \$40,191,049.

Fixed assets in the lunchroom enterprise fund were also understated due to incorrectly being recorded as general fixed assets. This caused accumulated depreciation to be incorrect as well. The effect of these changes on retained earnings as previously reported for the fiscal year ended June 30, 2000, is as follows:

	<u>Enterprise</u>
Retained Earnings at June 30, 1999	\$84,192
Restatement for Fixed Assets	<u>119,777</u>
Retained Earnings - Restated at July 1, 1999	<u><u>\$203,969</u></u>

Fund balance at the beginning of the year in the general fund was restated due to materials and supplies inventory no longer being reported on the balance sheet. This caused beginning fund balance in the general fund to decrease by \$31,484 from \$3,652,866 to \$3,621,382.

**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	\$0	\$56,247	\$0	\$56,335
School Breakfast Program	05-PU-99/00	10.553	5,453	0	5,453	0
National School Lunch Program	03-PU-99/00 04-PU-99/00	10.555	10,781 81,232	0 0	10,781 81,232	0 0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>97,466</u>	<u>56,247</u>	<u>97,466</u>	<u>56,335</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-00	84.027	111,976	0	150,397	0
Special Education - Preschool Grant	PG-S1-00	84.173	11,017	0	10,697	0
Total Special Education Cluster			<u>122,993</u>	<u>0</u>	<u>161,094</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99/00	84.010	131,669	0	144,347	0
Classroom Size Reduction Subsidy (Title VI-R)	CR-S1-00	84.340	35,043	0	22,206	0
Eisenhower Professional Development Grant	MS-S1-00	84.281	13,547	0	2,643	0
Innovative Educational Program Strategies (Title VI)	C2-S1-99/00	84.298	15,921	0	21,641	0
Drug-Free Schools Grant	DR-S1-00	84.186	20,094	0	18,365	0
Virtual Middle School Grant		84.318	27,000	0	27,000	0
Total U.S. Department of Education			<u>366,267</u>	<u>0</u>	<u>397,296</u>	<u>0</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b><u>\$463,733</u></b>	<b><u>\$56,247</u></b>	<b><u>\$494,762</u></b>	<b><u>\$56,335</u></b>

**Note (1) - SIGNIFICANT ACCOUNTING POLICIES**

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

**Note (2) - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the Kings Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated January 30, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2000-10483-001.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 30, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated January 30, 2001.

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

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

**Jim Petro**  
Auditor of State

January 30, 2001





STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Kings Local School District, Warren County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2000.

**Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would

Kings Local School District  
Warren County  
Report on Compliance with Requirements Applicable to Each  
Major Federal Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133  
Page 2

be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

**Jim Petro**  
Auditor of State

January 30, 2001

**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2000**

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

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

**FINDING NUMBER 2000-10483-001**

**Proper Encumbering**

Ohio Rev. Code, Section, 5705.41 (D), states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs to be signed only by the subdivision’s fiscal officer. Every contract made without such a certification shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirement:

Then and Now Certificates: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient fund were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority may authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

If the amount involved is less than \$100 for counties or less than \$1,000 for other political subdivisions, the fiscal officer may authorize payment upon completion of a “then and now” certificate without the affirmation of the Board of Education if such expenditure is otherwise valid.

It was noted during testing, that in 27% of the expenditures tested, the obligation date preceded the date of fiscal officer’s certificate and neither of the exceptions provided above were utilized.. We recommend that the District certify that funds are available prior to their commitment. If this not feasible, a “then and now” certificate should be considered.

**3. FINDINGS FOR FEDERAL AWARDS**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**KINGS LOCAL SCHOOL DISTRICT**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 13, 2001**