



**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups - June 30, 2001	4
Combined Statements of Revenues, Expenditures, and Changes In Fund Balances - All Governmental Fund Types For the Fiscal Year Ended June 30, 2001	6
Combined Statement of Revenues, Expenditures, and Changes In Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types For the Fiscal Year Ended June 30, 2001	8
Combined Statement of Revenues, Expenses, and Changes In Fund Equity - All Enterprise Funds - For the Fiscal Year Ended June 30, 2001	10
Combined Statement of Revenues, Expenditures, and Changes In fund Equity - budget (Non-GAAP Basis) and Actual - All Enterprise Funds - For the Fiscal Year Ended June 30, 2001	11
Combined Statement of Cash Flows - All Enterprise Funds For the Fiscal Year Ended June 30, 2001	12
Notes to the Financial Statements	13
Schedule of Federal Awards Expenditures	49
Notes to the Schedule of Federal Awards Expenditures	50
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	51
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.	53
Schedule of Findings	55
Schedule of Prior Audit Findings	59

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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 year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, Ohio as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2002 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 *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form 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 additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information 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

February 19, 2002

This page intentionally left blank.

KINGS LOCAL SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

GOVERNMENTAL FUND TYPES

	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,944,272	\$469,530	\$2,105,276	\$8,262,298
Cash and Cash Equivalents with Fiscal Agents	0	0	866	0
Receivables:				
Property Taxes	14,158,161	0	2,875,933	1,053,146
Payments in Lieu of Taxes	530,271	0	0	95,000
Accounts	1,742	5,975	0	8,850
Intergovernmental	50,931	130,921	0	26,746
Interfund	1,020,922	0	0	0
Prepaid Items	25,389	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	134,173	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$18,865,861	\$606,426	\$4,982,075	\$9,446,040
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$77,466	\$33,091	\$0	\$63,247
Contracts Payable	12,091	0	0	1,596,352
Retainage Payable	0	0	0	322,936
Accrued Wages and Benefits Payable	1,504,707	29,509	0	0
Compensated Absences Payable	31,622	0	0	0
Intergovernmental Payable	456,756	22,830	0	1,759
Interfund Payable	0	79,695	0	941,227
Deferred Revenue	13,559,467	106,702	2,637,465	1,027,394
Undistributed Monies	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
Total Liabilities	15,642,109	271,827	2,638,331	3,952,915
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	483,259	200,915	250	5,458,405
Reserved for Property Taxes	980,487	0	238,468	77,498
Reserved for Budget Stabilization	75,223	0	0	0
Reserved for Bus Purchase	58,950	0	0	0
Unreserved:				
Undesignated (Deficit)	1,625,833	133,684	2,105,026	(42,778)
Total Fund Equity and Other Credits	3,223,752	334,599	2,343,744	5,493,125
Total Liabilities, Fund Equity and Other Credits	\$18,865,861	\$606,426	\$4,982,075	\$9,446,040

See Accompanying Notes to the General Purpose 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			
\$400,181	\$64,484	\$0	\$0	\$14,246,041
0	0	0	0	866
0	0	0	0	18,087,240
0	0	0	0	625,271
823	0	0	0	17,390
25,738	0	0	0	234,336
0	0	0	0	1,020,922
0	0	0	0	25,389
44,720	0	0	0	44,720
18,801	0	0	0	18,801
0	0	0	0	134,173
385,801	0	59,607,346	0	59,993,147
0	0	0	2,343,744	2,343,744
0	0	0	38,371,960	38,371,960
<u>\$876,064</u>	<u>\$64,484</u>	<u>\$59,607,346</u>	<u>\$40,715,704</u>	<u>\$135,164,000</u>
\$6,713	\$22,988	\$0	\$0	\$203,505
0	0	0	0	1,608,443
0	0	0	0	322,936
61,681	0	0	0	1,595,897
51,814	0	0	910,032	993,468
91,909	0	0	242,928	816,182
0	0	0	0	1,020,922
37,673	0	0	0	17,368,701
0	41,496	0	0	41,496
0	0	0	212,438	212,438
0	0	0	0	866
0	0	0	370,000	370,000
0	0	0	162,124	162,124
0	0	0	38,818,182	38,818,182
<u>249,790</u>	<u>64,484</u>	<u>0</u>	<u>40,715,704</u>	<u>63,535,160</u>
0	0	59,607,346	0	59,607,346
443,166	0	0	0	443,166
183,108	0	0	0	183,108
0	0	0	0	6,142,829
0	0	0	0	1,296,453
0	0	0	0	75,223
0	0	0	0	58,950
0	0	0	0	3,821,765
<u>626,274</u>	<u>0</u>	<u>59,607,346</u>	<u>0</u>	<u>71,628,840</u>
<u>\$876,064</u>	<u>\$64,484</u>	<u>\$59,607,346</u>	<u>\$40,715,704</u>	<u>\$135,164,000</u>

KINGS LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2001

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Property Taxes	\$13,417,803	\$0	\$2,858,477	\$1,006,576	\$17,282,856
Intergovernmental	7,799,219	1,023,257	306,089	240,171	9,368,736
Interest	431,156	7,813	1,126,330	232,898	1,798,197
Tuition and Fees	6,525	0	0	0	6,525
Extracurricular Activities	0	97,845	0	0	97,845
Gifts and Donations	1,317	69,300	0	15,000	85,617
Rent	8,131	0	0	0	8,131
Revenue in Lieu of Taxes	397,266	0	0	70,000	467,266
Miscellaneous	0	299,140	0	108,850	407,990
Total Revenues	22,061,417	1,497,355	4,290,896	1,673,495	29,523,163
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	11,077,738	239,264	0	786,083	12,103,085
Special	1,503,336	188,866	0	0	1,692,202
Other	109,122	0	0	0	109,122
Support Services:					
Pupils	965,273	131,032	0	0	1,096,305
Instructional Staff	991,499	158,451	0	2,806	1,152,756
Board of Education	44,030	0	0	0	44,030
Administration	2,225,549	0	0	10,688	2,236,237
Fiscal	587,498	4,910	45,573	16,203	654,184
Business	147,003	0	0	0	147,003
Operation and Maintenance of Plant	2,460,735	74,698	0	365,109	2,900,542
Pupil Transportation	1,420,938	0	0	160,000	1,580,938
Central	126,656	0	0	0	126,656
Operation of Non-Instructional Services					
Extracurricular Activities	1,922	328,950	0	16,702	347,574
Capital Outlay	566,683	409,130	0	95,414	1,071,227
Debt Service:	0	0	0	16,094,423	16,094,423
Principal Retirement	38,206	0	1,445,000	209,913	1,693,119
Interest and Fiscal Charges	14,050	0	2,279,161	15,414	2,308,625
Total Expenditures	22,280,238	1,535,301	3,769,734	17,772,755	45,358,028
Excess of Revenues Over (Under) Expenditures	(218,821)	(37,946)	521,162	(16,099,260)	(15,834,865)
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Fixed Assets	0	0	0	3,166	3,166
Operating Transfers In	0	23,813	0	0	23,813
Operating Transfers Out	(23,813)	0	0	0	(23,813)
Total Other Financing Sources (Uses)	(23,813)	23,813	0	3,166	3,166
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(242,634)	(14,133)	521,162	(16,096,094)	(15,831,699)
Fund Balances at Beginning of Year - Restated (Note 21)	3,466,386	348,732	1,822,582	21,589,219	27,226,919
Fund Balances at End of Year	\$3,223,752	\$334,599	\$2,343,744	\$5,493,125	\$11,395,220

See Accompanying Notes to the General Purpose Financial Statements

This page intentionally left blank.

KINGS LOCAL SCHOOL DISTRICT
 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, 2001

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$13,074,000	\$13,277,631	\$203,631	\$0	\$0	\$0
Intergovernmental	7,299,657	7,755,786	456,129	1,124,744	999,127	(125,617)
Interest	275,000	394,699	119,699	8,000	7,813	(187)
Tuition and Fees	0	5,975	5,975	0	0	0
Extracurricular Activities	6,000	8,331	2,331	91,117	97,845	6,728
Gifts and Donations	0	1,317	1,317	123,571	69,300	(54,271)
Revenue in Lieu of Taxes	129,000	237,149	108,149	0	0	0
Miscellaneous	0	0	0	212,232	293,829	81,597
Total Revenues	20,783,657	21,680,888	897,231	1,559,664	1,467,914	(91,750)
Expenditures:						
Current:						
Instruction:						
Regular	17,155,524	10,926,873	6,228,651	357,846	294,279	63,567
Special	732,589	1,510,859	(778,270)	202,107	175,900	26,207
Other	76,734	143,381	(66,647)	0	0	0
Support Services:						
Pupils	478,121	988,295	(510,174)	148,899	133,125	15,774
Instructional Staff	385,900	1,001,840	(615,940)	192,284	160,059	32,225
Board of Education	14,039	44,794	(30,755)	0	0	0
Administration	1,087,664	2,256,621	(1,168,957)	0	0	0
Fiscal	317,877	613,447	(295,570)	500	4,910	(4,410)
Business	75,202	160,128	(84,926)	0	0	0
Operation and Maintenance of Plant	1,682,547	2,664,497	(981,950)	93,418	84,443	8,975
Pupil Transportation	978,423	1,534,099	(555,676)	0	0	0
Central	106,510	143,239	(36,729)	0	0	0
Operation of Non-Instructional Services						
Extracurricular Activities	1,613	6,970	(5,357)	454,608	447,167	7,441
Capital Outlay	338,714	566,398	(227,684)	402,905	435,203	(32,298)
Debt Service:	0	0	0	0	0	0
Principal Retirement	40,000	35,000	5,000	0	0	0
Interest and Fiscal Charges	19,721	14,050	5,671	0	0	0
Total Expenditures	23,491,178	22,610,491	880,687	1,852,567	1,735,086	117,481
Excess of Revenues Over (Under) Expenditures	(2,707,521)	(929,603)	1,777,918	(292,903)	(267,172)	25,731
Other Financing Sources (Uses):						
Proceeds From Sale of Fixed Assets	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	10,143	10,143	0	0	0
Refund of Prior Year Receipts	(494)	(52,117)	(51,623)	(1,802)	(347)	1,455
Advances In	15,000	15,833	833	0	79,695	79,695
Advances Out	(1,000,000)	(1,020,922)	(20,922)	(15,833)	(15,833)	0
Operating Transfers In	0	0	0	25,591	25,591	0
Operating Transfers Out	0	(23,813)	(23,813)	(1,778)	(1,778)	0
Total Other Financing Sources (Uses)	(985,494)	(1,070,876)	(85,382)	6,178	87,328	81,150
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,693,015)	(2,000,479)	1,692,536	(286,725)	(179,844)	106,881
Fund Balances at Beginning of Year	4,050,805	4,050,805	0	282,355	282,355	0
Prior Year Encumbrances Appropriated	495,420	495,420	0	137,804	137,804	0
Fund Balances at End of Year	\$853,210	\$2,545,746	\$1,692,536	\$133,434	\$240,315	\$106,881

See Accompanying Notes to the General Purpose 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)
\$3,220,000	\$2,828,526	(\$391,474)	\$950,000	\$997,378	\$47,378	\$17,244,000	\$17,103,535	(\$140,465)
250,000	306,089	56,089	243,483	240,171	(3,312)	8,917,884	9,301,173	383,289
800,000	1,126,330	326,330	180,000	232,898	52,898	1,263,000	1,761,740	498,740
0	0	0	0	0	0	0	5,975	5,975
0	0	0	0	0	0	97,117	106,176	9,059
0	0	0	15,000	15,000	0	138,571	85,617	(52,954)
0	0	0	0	0	0	129,000	237,149	108,149
0	0	0	100,000	100,000	0	312,232	393,829	81,597
4,270,000	4,260,945	(9,055)	1,488,483	1,585,447	96,964	28,101,804	28,995,194	893,390
0	0	0	1,021,583	1,336,988	(315,405)	18,534,953	12,558,140	5,976,813
0	0	0	0	0	0	934,696	1,686,759	(752,063)
0	0	0	0	0	0	76,734	143,381	(66,647)
0	0	0	2,676	0	2,676	629,696	1,121,420	(491,724)
0	0	0	5,891	2,891	3,000	584,075	1,164,790	(580,715)
0	0	0	0	0	0	14,039	44,794	(30,755)
0	0	0	141,272	42,674	98,598	1,228,936	2,299,295	(1,070,359)
18,405	45,998	(27,593)	9,729	16,203	(6,474)	346,511	680,558	(334,047)
0	0	0	0	0	0	75,202	160,128	(84,926)
0	0	0	512,996	443,374	69,622	2,288,961	3,192,314	(903,353)
0	0	0	240,000	371,870	(131,870)	1,218,423	1,905,969	(687,546)
0	0	0	0	0	0	106,510	143,239	(36,729)
0	0	0	0	0	0	0	0	0
0	0	0	1,971	31,112	(29,141)	458,192	485,249	(27,057)
0	0	0	102,068	81,152	20,916	843,687	1,082,753	(239,066)
0	0	0	21,324,922	19,832,379	1,492,543	21,324,922	19,832,379	1,492,543
1,465,832	1,445,000	20,832	47,369	109,740	(62,371)	1,553,201	1,589,740	(36,539)
1,185,762	2,279,161	(1,093,399)	0	5,000	(5,000)	1,205,483	2,298,211	(1,092,728)
2,669,999	3,770,159	(1,100,160)	23,410,477	22,273,383	1,137,094	51,424,221	50,389,119	1,035,102
1,600,001	490,786	(1,109,215)	(21,921,994)	(20,687,936)	1,234,058	(23,322,417)	(21,393,925)	(141,712)
0	0	0	2,000	3,166	1,166	2,000	3,166	1,166
0	0	0	0	0	0	0	10,143	10,143
0	0	0	0	0	0	(2,296)	(52,464)	(50,168)
0	0	0	1,000,000	941,227	(58,773)	1,015,000	1,036,755	21,755
0	0	0	0	0	0	(1,015,833)	(1,036,755)	(20,922)
0	0	0	0	0	0	25,591	25,591	0
0	0	0	0	0	0	(1,778)	(25,591)	(23,813)
0	0	0	1,002,000	944,393	(57,607)	22,684	(39,155)	(61,839)
1,600,001	490,786	(1,109,215)	(20,919,994)	(19,743,543)	1,176,451	(23,299,733)	(21,433,080)	1,866,653
1,615,106	1,615,106	0	4,536,083	4,536,083	0	10,484,349	10,484,349	0
0	0	0	17,663,573	17,663,573	0	18,296,797	18,296,797	0
\$3,215,107	\$2,105,892	(\$1,109,215)	\$1,279,662	\$2,456,113	\$1,176,451	\$5,481,413	\$7,348,066	\$1,866,653

KINGS LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 All Enterprise Funds
 For the Fiscal Year Ended June 30, 2001

Operating Revenues:

Tuition	\$708,971
Sales	856,116
Other	7,535

<i>Total Operating Revenues</i>	<u>1,572,622</u>
---------------------------------	------------------

Operating Expenses:

Salaries	842,540
Fringe Benefits	321,130
Purchased Services	5,093
Materials and Supplies	94,602
Cost of Sales	493,448
Depreciation	39,948
Other	20,371

<i>Total Operating Expenses</i>	<u>1,817,132</u>
---------------------------------	------------------

Operating Loss	<u>(244,510)</u>
----------------	------------------

Non-Operating Revenues:

Federal Donated Commodities	55,554
Federal and State Subsidies	122,187
Interest	11,141

<i>Total Non-Operating Revenues</i>	<u>188,882</u>
-------------------------------------	----------------

Net Income	(55,628)
------------	----------

Retained Earnings at Beginning of Year	<u>238,736</u>
--	----------------

Retained Earnings at End of Year	183,108
----------------------------------	---------

Contributed Capital at Beginning and End of Year	<u>443,166</u>
--	----------------

Total Fund Equity at End of Year	<u><u>\$626,274</u></u>
----------------------------------	-------------------------

See Accompanying Notes to the General Purpose Financial Statements

KINGS LOCAL SCHOOL DISTRICT
 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, 2001

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Tuition	\$608,000	\$708,809	\$100,809
Sales	809,101	856,310	47,209
Other Revenues	0	2,238	2,238
Federal and State Subsidies	85,927	112,696	26,769
Refund of Prior Year Expense	0	210	210
Other	0	2,589	2,589
Interest	8,000	11,141	3,141
<i>Total Revenues</i>	<u>1,511,028</u>	<u>1,693,993</u>	<u>182,965</u>
<u>Expenses:</u>			
Salaries	853,829	838,149	15,680
Fringe Benefits	372,124	310,197	61,927
Purchased Services	23,296	7,895	15,401
Materials and Supplies	634,875	732,033	(97,158)
Other	45,226	36,820	8,406
Capital Outlay	770	46,052	(45,282)
<i>Total Expenses</i>	<u>1,930,120</u>	<u>1,971,146</u>	<u>(41,026)</u>
Excess of Revenues Under Expenses	(419,092)	(277,153)	141,939
Fund Equity at Beginning of Year	354,767	354,767	0
Prior Year Encumbrances Appropriated	<u>77,461</u>	<u>77,461</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$13,136</u></u>	<u><u>\$155,075</u></u>	<u><u>\$141,939</u></u>

See Accompanying Notes to the General Purpose Financial Statements

KINGS LOCAL SCHOOL DISTRICT
 Combined Statement of Cash Flows
 All Enterprise Funds
 For the Fiscal Year Ended June 30, 2001

<i><u>Increase (Decrease) in Cash and Cash Equivalents:</u></i>	
<i><u>Cash Flows from Operating Activities:</u></i>	
Cash Received from Customers	\$1,565,119
Other Operating Receipts	5,037
Cash Payments to Suppliers for Goods and Services	(548,629)
Cash Payments to Employees for Services and Benefits	(1,147,966)
Other Operating Expenses	<u>(28,295)</u>
Net Cash Used In Operating Activities	<u>(154,734)</u>
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>	
Federal and State Subsidies	<u>112,696</u>
Net Cash Provided By Noncapital Financing Activities	<u>112,696</u>
<i><u>Cash Flows from Capital and Related Financing Activities:</u></i>	
Principal Paid on Capital Lease	<u>(1,150)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(1,150)</u>
<i><u>Cash Flows from Investing Activities:</u></i>	
Interest	<u>11,141</u>
Net Cash Provided By Investing Activities	<u>11,141</u>
Net Decrease in Cash and Cash Equivalents	(32,047)
Cash and Cash Equivalents at Beginning of Year	<u>432,228</u>
Cash and Cash Equivalents at End of Year	<u><u>\$400,181</u></u>
<i><u>Reconciliation of Operating Loss to Net Cash Used In Operating Activities:</u></i>	
Operating Loss	(\$244,510)
<i><u>Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:</u></i>	
Depreciation	39,948
Donated Commodities Received	55,554
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(133)
Increase in Intergovernmental Receivable	(2,334)
Increase in Inventory Held for Resale	(5,447)
Increase in Materials and Supplies Inventory	(849)
Increase in Accounts Payable	14,524
Decrease in Due to Other Funds	(2,702)
Decrease in Accrued Wages and Benefits Payable	(6,778)
Decrease in Compensated Absences Payable	(13,320)
Increase in Intergovernmental Payable	<u>11,313</u>
Net Cash Used In Operating Activities	<u><u>(\$154,734)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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.

Reporting Entity:

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 entities 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 School District:

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

The School District participates in four organizations, three of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations include the Southwest 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.

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.

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.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 only 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund type operating statement presents increases (e.g., revenues) and decreases (e.g., 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. The full accrual basis of accounting is followed for the proprietary funds.

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

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

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

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported 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 governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in 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. The Treasurer has been given authority to further allocate appropriations to functions and objects within each fund.

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.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2001.

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. Budgetary controls require that the appropriation resolution, by fund, be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances not exceed the appropriation totals at the legal level of control.

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 by the Board of Education 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. 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.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including 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 2001, investments were limited to a repurchase agreement, which is reported at cost and STAR Ohio. 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, 2001.

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 2001 amounted to \$431,156, which includes \$78,402 assigned from other School District funds.

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.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the 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. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables."

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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.

J. 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.

K. 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
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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.

M. 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 bus purchases and amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 19 for the calculation of the year end restricted asset balance and the corresponding fund balance reserves.

N. 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.

O. 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 2001.

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.

P. Total Columns on General Purpose Financial Statements

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

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Accountability

The following funds had fund balance/retained earnings deficits at June 30, 2001:

Fund Type/Fund	Amount
<i>Special Revenue Funds:</i>	
Title VI-B	\$63,670
Title I	14,191
Title VI-R	20,720
<i>Enterprise Fund:</i>	
Preschool	36,883

The general fund is liable for any deficits in these funds and provides operating transfers when cash is needed rather than when accruals occur.

The following funds had total expenditures plus encumbrances in excess of total appropriations:

	Appropriations	Expenditures	Excess
<i>Special Revenue Fund</i>			
District Managed Student Activities Fund	\$150,081	152,402	\$2,321
<i>Debt Service Fund:</i>			
Bond Retirement Fund	\$2,670,000	\$3,770,159	\$1,100,159
<i>Capital Projects Fund</i>			
Permanent Improvement	\$2,655,452	2,742,483	\$87,031
<i>Enterprise Funds</i>			
Food Service Fund	\$912,696	\$959,004	\$46,308
Uniform School Supplies	\$196,175	\$200,147	\$3,971

The District failed to certify the availability of funds on some commitments in accordance with Ohio Revised Code, Section 5705.41d.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 4 - 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. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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	(\$242,634)	(\$14,133)	\$521,162	(\$16,096,094)
Revenue Accruals	(370,386)	(29,441)	(29,951)	(88,048)
Expenditure Accruals	152,098	29,083	(175)	1,305,557
Prepaid Items	(1,769)	0	0	0
Advances	(1,005,089)	63,862	0	941,227
Encumbrances	(532,699)	(229,215)	(250)	(5,806,185)
Budget Basis	(\$2,000,479)	(\$179,844)	\$490,786	(\$19,743,543)

Net Income/Excess of Revenues Under Expenses All Enterprise Funds	
GAAP Basis	\$55,628
Revenue Accruals	(11,957)
Expense Accruals	(10,706)
Materials and Supplies Inventory	849
Inventory Held for Resale	5,447
Depreciation	39,948
Encumbrances	(245,106)
Budget Basis	(\$277,153)

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - 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 accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the School District had \$4,100 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$38,919) and the bank balance was \$1,037,402. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$737,402 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 fiscal 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.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

	Category 3	Carrying/Fair Value
STAR Ohio	\$0	\$11,898,003
Repurchase Agreement	2,517,896	2,517,896
	\$2,517,896	\$14,415,899
Total	\$2,517,896	\$14,415,899

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No.9	\$14,381,080	\$0
Cash on Hand	(4,100)	0
Investments:		
STAR Ohio	(11,898,003)	11,898,003
Repurchase Agreement	(2,517,896)	2,517,896
GASB Statement No.3	(\$38,919)	\$14,415,899

NOTE 6 - 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 tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value listed as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half real property taxes are collected in and intended to finance fiscal year 2002.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - PROPERTY TAXES (continued)

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. 2001 public utility property taxes became a lien on December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. 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 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$387,377,840	83.31%	\$450,388,790	81.27%
Public Utility	21,936,470	4.72	22,744,460	4.11
Tangible Personal Property	55,648,441	11.97	81,024,938	14.62
Total Assessed Value	<u>\$464,962,751</u>	<u>100.00%</u>	<u>\$554,158,188</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$53.57		\$52.83	

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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - PROPERTY TAXES (continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amounts available as an advance at June 30, 2001 were \$980,487 in the general fund, \$238,468 in the bond retirement debt service fund, and \$77,498 in the permanent improvement capital projects fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, payments in lieu of taxes, accounts (rent and student fees), intergovernmental grants, 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 consist of the following:

General Fund:	Amount
Tuition from Warren County Career Center	\$50,931
Special Revenue Funds:	
Power Up for Technology	7,695
Eisenhower Grant	7,669
Title VI-B	53,899
Title VI	19,815
Drug Free Schools	9,885
Title VI-R	31,958
Total Special Revenue Funds	130,921
Capital Projects Fund:	
Interactive Video Distance Learning	26,746
Enterprise Fund:	
Food Service	25,738
Total of all Funds	\$234,336

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$870,354
Less: Accumulated Depreciation	484,553
Net Fixed Assets	\$385,801

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Restated Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$4,958,724	\$11,643	\$0	\$4,970,367
Buildings and Improvements	28,811,192	23,657	0	28,834,849
Furniture, Fixtures and Equipment	6,571,009	543,684	244,191	6,870,502
Vehicles	2,308,162	15,454	0	2,323,616
Construction in Progress	232,574	16,375,438	0	16,608,012
Totals	\$42,881,661	\$16,969,876	\$244,191	\$59,607,346

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for fleet insurance and liability insurance. Property is protected by Indiana Insurance.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 9 - RISK MANAGEMENT (continued)

Coverage provided by Nationwide Insurance and Indiana Insurance is 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 reduction in coverage since last year.

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). 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 Integrated Comp. Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Kings Local 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, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used 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's Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$143,503, \$186,617, and \$275,360, respectively; 45.27 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$78,539 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Kings Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits, to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. Kings Local School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,148,705, \$652,756, and \$519,765, respectively; 84.97 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$172,637 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, 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.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 11 - 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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$544,124 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$372,124.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per 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 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 years 2001 and 2002, 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.

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.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Amount Outstanding 6/30/00	Additions	Deductions	Amount Outstanding 6/30/01
School Improvement				
Bond 1980 8.00%	\$20,000	\$0	\$20,000	\$0
School Improvement				
Bond 1981 11.625%	15,000	0	5,000	10,000
School Improvement				
Bond 1994 6.70%	1,100,000	0	100,000	1,000,000
School Improvement				
Bond 1995 5.86%	11,405,000	0	760,000	10,645,000
School Improvement				
Bond 1998 4.45%	4,223,182	0	460,000	3,763,182
EPA Asbestos				
Loan 1993 0.00%	176,864	0	14,740	162,124
Energy Conservation				
Loan 1993 4.65%	160,000	0	35,000	125,000
Energy Conservation				
Loan 1998 4.20%	340,000	0	95,000	245,000
School Improvement				
Bonds 1999 4.75%	2,500,000	0	100,000	2,400,000
School Improvement				
Bonds 2000 5.47%	21,000,000	0	0	21,000,000
Total Long-Term Bonds and Loans	<u>\$40,940,046</u>	<u>\$0</u>	<u>\$1,589,740</u>	<u>\$39,350,306</u>

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

	Amount Outstanding 6/30/00	Additions	Deductions	Amount Outstanding 6/30/01
Capital Leases	\$315,817	\$0	\$103,379	\$212,438
Intergovernmental Payable	173,903	242,928	173,903	242,928
Compensated Absences	717,831	192,201	0	910,032
Total General Long-Term Obligations	<u>\$42,147,597</u>	<u>\$435,129</u>	<u>\$1,867,022</u>	<u>\$40,715,704</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 2001 to 2026. The interest rates vary from 4.45% to 11.625%. The bonds are being paid from the general fund and the debt service 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, 2001, \$4,378,332 of bonds outstanding are considered defeased.

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 2005. The loan is being paid from the general fund.

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 2005. The loan is being paid from the permanent improvement capital projects fund.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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 2001 were as follows:

	Amount Outstanding 6/30/00	Additions	Deductions	Amount Outstanding 6/30/01
Capital Leases	\$1,150	\$0	\$1,150	\$0

The School District's overall legal debt margin was \$13,912,226, the energy conservation loan debt margin was \$4,455,300 and the unvoted debt margin was \$554,158 at June 30, 2001.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$710,000	\$2,227,937	\$2,937,937
2003	825,000	2,192,248	3,017,248
2004	945,000	2,151,114	3,096,114
2005	1,100,000	2,102,259	3,202,259
2006	1,250,000	2,044,708	3,294,708
2007-2011	6,718,182	9,989,128	16,707,310
2012-2016	6,170,000	7,387,406	13,557,406
2017-2021	10,985,000	4,746,607	15,731,607
2022-2026	10,115,000	1,441,356	11,556,356
Total	<u>\$38,818,182</u>	<u>\$34,282,763</u>	<u>\$73,100,945</u>

Principal and interest requirements to retire energy conservation loans outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
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>\$370,000</u>	<u>\$28,195</u>	<u>\$398,195</u>

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

Principal requirements to retire the EPA asbestos loan outstanding at June 30, 2001, is as follows:

Fiscal year Ending June 30,	Principal
2002	\$14,740
2003	14,740
2004	14,740
2005	14,740
2006	14,740
2007-2011	73,700
2012	14,724
Total	\$162,124

NOTE 14 - INTERFUND ACTIVITY

At June 30, 2001, the School District had the following interfund activity:

Fund/Fund Type	Receivable	Payable
General Fund:	\$1,020,922	\$0
Special Revenue Funds:		
Title VI-B	0	45,985
Title VI	0	6,016
Drug Free Schools	0	7,342
Title VI-R	0	20,352
Total Special Revenue Funds	0	79,695
Capital Projects Fund:		
Permanent Improvement	0	941,227
Total for all Funds	\$1,020,922	\$1,020,922

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into capital leases for the acquisition of copiers and other reproduction equipment, and a voice, video, and data wide area network. 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.

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 \$4,600, and the carrying value of this leased asset is \$0. Principal payments in fiscal year 2001 totaled \$103,379 in the general fund and \$1,150 in the latchkey enterprise fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	GLTOAG
2002	\$110,587
2003	110,587
Total	221,274
Less: Amount Representing Interest	(8,736)
Present Value of Net Minimum Lease Payments	\$212,438

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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, 2001.

	Food Service	Uniform School Supplies	Preschool	Latchkey	Total
Operating Revenues	\$709,116	\$152,439	\$184,673	\$526,394	\$1,572,622
Depreciation Expense	33,652	0	3,245	3,051	39,948
Operating Income (Loss)	(163,991)	4,228	(147,787)	63,040	(244,510)
Net Non-Operating Revenues Excluding Federal and State Subsidies	66,695	0	0	0	66,695
Federal and State Subsidies	110,260	0	11,927	0	122,187
Net Income (Loss)	12,963	4,228	(135,860)	63,040	55,628
Net Working Capital	234,390	51,391	(34,441)	122,620	373,960
Total Assets	593,461	53,541	13,277	212,785	876,064
Long-Term Liabilities Payable From Revenue	72,121	0	3,177	47,332	122,630
Total Equity	448,992	51,391	(36,883)	162,774	626,274
Encumbrances at June 30, 2001	\$184,664	\$43,153	\$300	\$16,989	\$245,106

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 \$35,728 for services provided during fiscal year 2001. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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 2001, the School District did not make any contributions to the Warren County Career Center. Financial information can be obtained from Bill Shepherd, who serves as director, at 3525 State Route 48, Lebanon, Ohio 45036.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. 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 2001, the School District paid \$2,332 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 the GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 19 - 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, however, that has been reduced to only monies received by the Bureau of Workers' Compensation.

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:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	\$0	\$0	\$305,304
Current Year Set-aside Requirement	503,468	503,468	0
Additional Money Set-aside	0	0	12,843
Reduction in Requirement Due to Revised Legislation	0	0	(242,924)
Current Year Offsets	0	(1,097,378)	0
Qualifying Disbursements	(503,847)	0	0
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$379)</u>	<u>(\$593,910)</u>	<u>\$75,223</u>
Required Reserved Balance at June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$75,223</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside and capital acquisition amounts below zero. Only the extra amount for text books may be used to reduce the set-aside requirements in future years. The total reserve balance for the set-asides at the end of the fiscal year was \$134,462.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 20 - CONTRACTUAL COMMITMENTS

The School District had the following contractual commitments outstanding as of June 30, 2001:

<u>Vendor</u>	<u>Amount</u>
A-1 Sprinkler Company	\$91,880
Active Electric	14,665
Arctic Heating & Air	283,776
Batts Construction	5,258
ESI Inc.	202,400
Leo J. Brielmayer Co.	72,741
Library Design Associates Inc.	24,107
Quantum Construction Company	1,719,006
Queen City Mechanicals Inc.	8,420
Thomas J. Dyer Co.	87,686
Weisberger Electric Co.	56,906
The Farnham Co.	189,931
Ken Nayer Plumbing	29,262
CINFAB Inc.	95,936
U.S. Foodservice Contractors	400,000
Cincinnati Fire Protection Inc.	2,167
Industrial Communications	460,763
ADC Information Tech. Services	190,955

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 21 - PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPLES

In the prior year, beginning fund balance in the debt service fund was overstated by \$512,427, decreasing this year's beginning fund balance from \$2,335,009 to \$1,822,582.

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." The implementation of these statements had no effect on fund balances as reported at June 30, 2000.

Fund balance at the beginning of the year in the general fixed assets account group was restated due to a revaluation of fixed assets by an independent valuation firm. This caused beginning fixed assets to increase by \$835,375 from \$42,046,286 to \$42,881,661.

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, 2001.

B. Litigation

The School District does not have any pending litigation.

NOTE 23 - SUBSEQUENT EVENT

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 19, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts.

Kings Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 23 - SUBSEQUENT EVENT (continued)

Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

This page intentionally left blank.

**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity's Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution Program	10.550	None	\$0	\$55,554
National School Breakfast Program	10.553	05-PU	4,470	0
National School Lunch Program	10.555	LL-P4	91,192	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>95,662</u>	<u>55,554</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	84.027	6B-SF	212,225	0
Special Education - Preschool Grant	84.173	PG-S1	<u>12,181</u>	<u>0</u>
Total Special Education Cluster			<u>224,406</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	84.010	C1-S1	127,829	0
Innovative Educational Program Strategies	84.298	C2-S1	19,578	0
Eisenhower Professional Development Grant	84.281	MS-S1	10,325	0
Safe and Drug-Free Schools and Communities: State Grant	84.186	DR-S1	14,380	0
Virtual Middle School Grant	84.318	TF-VM	4,658	0
Classroom Size Reduction	84.340	CR-S1	<u>54,633</u>	<u>0</u>
Total Department of Education			<u>455,809</u>	<u>0</u>
Total Federal Assistance			<u>\$551,471</u>	<u>\$55,554</u>

The accompanying notes to the schedule are an integral part of this schedule.

**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the schedule) is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Non-monetary 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. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the financial statements of Kings Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated February 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10483-001 and 2001-10483-002.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated February 19, 2002.

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 February 19, 2002.

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

This report is intended for the information and use of the audit committee, management, 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

February 19, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

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

To the Board of Education:

Compliance

We have audited the compliance of Kings Local School District, Warren County, Ohio 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 each of its major federal programs for the year ended June 30, 2001. 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 auditing standards generally accepted in the United States of America; 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 year ended June 30, 2001.

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.

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

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

This report is intended for the information and use of the audit committee, management, 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

February 19, 2002

**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .500
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material 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):	CFDA #84.027 Title VI-B
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other 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 2001-10483-001

Material Noncompliance- Expenditures Plus Encumbrances Exceeding Appropriations

Ohio Rev. Code Section 5705.41(D) does not allow an order or contract to be entered into without the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Ohio Revised Code Section 5705.41(B) prohibits a District from making expenditure of money unless it has been properly appropriated. The District's appropriations were exceeded by the sum of their expenditures and encumbrances in the following funds by the indicated amounts:

Fund	Appropriations	Expenditures	Encumbrances	Total expenditures and encumbrances	Excess
District Managed Student Activities	\$150,082	\$133,304	\$19,099	\$152,403	\$2,321
Bond Retirement	2,670,000	3,769,909	250	3,770,159	1,100,159
Permanent Improvement	2,655,452	1,621,268	1,121,215	2,742,483	87,031
Food Service	912,696	774,339	184,664	959,003	46,307
Uniform School Supplies	196,175	156,993	43,153	200,146	3,971

The District's Treasurer could not certify that these funds were lawfully appropriated.

FINDING NUMBER 2001-10483-002

Material Noncompliance - Proper Encumbering

Ohio Rev. Code Section 5704.41(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 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 need be only signed by the subdivision fiscal officer. Every such contract made without such certificate shall be void and no warrant shall be issued in payment. This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate; and
2. If the amount involved is less than one thousand dollars (\$1,000), the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

FINDING NUMBER 2001-10483-002 (Continued)

Of the transactions reviewed, approximately 15% were noted where the invoice was dated prior to the purchase order. When the District does not process a purchase order before each expenditure is made, they may find themselves with a deficit fund balance. The District should enforce the policy of issuing a purchase order before any items or services are ordered. The District should not approve the payment of an expenditure where proper procedures were not followed.

This page intentionally left blank.

**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10483-001	District did not properly encumber funds prior to purchase commitment.	No	Not Corrected, but improvement noted. Finding has been reissued as Finding No. 2001-10483-002.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 12, 2002**