



**Auditor of State  
Betty Montgomery**



**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Assets – Proprietary Funds.....	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	19
Statement of Cash Flows – Proprietary Funds .....	20
Statement of Fiduciary Net Assets – Fiduciary Funds.....	21
Notes to the Financial Statements.....	23
Required Supplemental Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis – General Fund.....	45
Notes to the Required Supplemental Information.....	46
Schedule of Federal Awards Expenditures.....	49
Notes to the Schedule of Federal Awards Expenditures .....	50
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	53

**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Schedule of Findings .....	55
Schedule of Prior Audit Findings.....	57



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kings Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2003, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the fiscal year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. The District also adopted Governmental Accounting Standards Board Statements 37, 38, 39, and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2004 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.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)– General Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 28, 2004

**KINGS LOCAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2003**  
(Unaudited)

The discussion and analysis of Kings Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

**Financial Highlights**

Key financial highlights for 2003 are as follows:

- In total, net assets increased \$1.39 million. Net assets of governmental activities increased \$1.30 million which represents a 8.8% increase from 2002. Net assets of business-type activities increased \$.09 million or 33.7% from 2002.
- General revenues accounted for \$33.47 million in revenue or 90.8% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3.4 million or 9.2% of total revenues of \$36.87 million.
- Total assets of governmental activities decreased by \$.54 million as taxes receivable increased by \$2.08 million while cash and other receivables decreased by \$2.33 million.
- The District had \$33.58 million in expenses related to governmental activities; only \$1.43 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$33.45 million were adequate to provide for these programs.
- As a major fund, the General Fund had \$27.83 million in revenues and \$26.92 million in expenditures. The General Fund's balance increased from \$1.75 to \$2.66 million. The other major fund, Debt Service, had \$3.48 million in revenues and \$3.07 million in expenditures. The Debt Service fund balance increased \$2.52 million to \$2.93 million.
- Net assets for enterprise funds increased. This increase resulted from operating revenue of \$1.79 million and grants of \$.19 million exceeding operating expenses of \$1.90 million.

## Using this Basic Financial Statement Report

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

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

## Reporting the School District as a Whole

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

The analysis of the District's major fund is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

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

### The District as a Whole

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

Table 1 provides a summary of the District’s net assets for 2002 compared to 2003:

Table 1  
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
<b>Assets</b>						
Current and Other Assets	\$30,506,557	\$30,258,124	\$350,476	\$408,990	\$30,857,033	\$30,667,114
Capital Assets	<u>49,254,851</u>	<u>48,965,040</u>	<u>103,628</u>	<u>110,756</u>	<u>49,358,479</u>	<u>49,075,796</u>
Total Assets	<u>79,761,408</u>	<u>79,223,164</u>	<u>454,104</u>	<u>519,746</u>	<u>80,215,512</u>	<u>79,742,910</u>
<b>Liabilities</b>						
Long-Term Liabilities	42,083,082	40,890,833	41,225	36,832	42,124,307	40,927,665
Other Liabilities	<u>22,902,242</u>	<u>22,253,402</u>	<u>155,830</u>	<u>139,225</u>	<u>23,058,072</u>	<u>22,392,627</u>
Total Liabilities	<u>64,985,324</u>	<u>63,144,235</u>	<u>197,055</u>	<u>176,057</u>	<u>65,182,379</u>	<u>63,320,292</u>
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	7,436,016	8,091,668	103,628	40,428	7,539,644	8,132,096
Restricted	6,038,280	6,570,691	0	0	6,038,280	6,570,691
Unrestricted	<u>1,301,788</u>	<u>1,416,570</u>	<u>153,421</u>	<u>303,261</u>	<u>1,455,209</u>	<u>1,719,831</u>
Total Net Assets	<u>\$14,776,084</u>	<u>\$16,078,929</u>	<u>\$257,049</u>	<u>\$343,689</u>	<u>\$15,033,133</u>	<u>\$16,422,618</u>

Total assets decreased \$.47 million. Equity in pooled cash and cash equivalents decreased \$2.27 million. Taxes receivable increased \$2.08 million. Total liabilities decreased \$1.86 million, resulting in a net asset increase of \$1.39 million.

The net assets of the District business-type activities increased by \$.87 million. Since the increase was slight, management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2  
Changes in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>	Total <u>2003</u>
Revenues			
Program Revenues:			
Charges for Services	\$234,959	\$1,774,203	\$2,009,162
Operating Grants	1,157,893	192,173	1,350,066
Capital Grants	41,986	0	41,986
General Revenue:			
Property Taxes	22,818,990	0	22,818,990
Grants and Entitlements	8,997,104	0	8,997,104
Other	<u>1,634,046</u>	<u>16,965</u>	<u>1,651,011</u>
Total Revenues	<u>34,884,978</u>	<u>1,983,341</u>	<u>36,868,319</u>
Program Expenses:			
Instruction	18,285,159	0	18,285,159
Support Services:			
Pupil and Instructional Staff	3,036,471	0	3,036,471
General and School Administration, Fiscal and Business	3,516,004	0	3,516,004
Operations and Maintenance	3,170,600	0	3,170,600
Pupil Transportation	1,451,626	0	1,451,626
Central	132,422	0	132,422
Community Services	549,925	0	549,925
Extracurricular Activities	1,187,602	0	1,187,602
Interest and Fiscal Charges	2,252,324	0	2,252,324
Food Service	0	979,554	979,554
Uniform School Supply	0	188,621	188,621
Special Enterprise	0	704,876	704,876
Preschool Grant	<u>0</u>	<u>23,650</u>	<u>23,650</u>
Total Expenses	<u>33,582,133</u>	<u>1,896,701</u>	<u>35,478,834</u>
Change in Net Assets	<u>\$1,302,845</u>	<u>\$86,640</u>	<u>\$1,389,485</u>

### Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 81% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 60% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 54% of governmental program expenses. Support services expenses were 34% of governmental program expenses. Interest expense, was 7%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3  
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
Instruction	\$18,285,159	\$17,951,454
Support Services:		
Pupil and Instructional Staff	3,036,471	2,630,587
General and School Administration, Fiscal and Business	3,516,004	3,497,144
Operations and Maintenance	3,170,600	3,084,850
Pupil Transportation	1,451,626	1,408,402
Central	132,422	132,422
Community Services	549,925	127,447
Extracurricular Activities	1,187,602	1,062,665
Interest and Fiscal Charges	2,252,324	2,252,324
Total Expenses	\$33,582,133	\$32,147,295

### **Business-Type Activities**

Business-type activities include the food service operation, the sale of uniform school supplies, special enterprise and preschool grants. These programs had revenues of \$1.97 million and expenses of \$1.90 million for fiscal year 2003.

### **The District's Funds**

Information about the District's major funds is presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$34,517,059 and expenditures and other financing uses of \$34,370,097. The net change in fund balance for the year was \$146,962 or 2%.

### **General Fund Budgeting Highlights**

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

During the course of fiscal 2003, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$25.8 million, above original budget estimates of \$25.17 million. Of this \$.63 million difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2003, the District had \$49.1 million invested in land, land improvements, buildings, equipment and construction in progress. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Land	\$3,074,466	\$3,074,466	\$0	\$0	\$3,074,466	\$3,074,466
Land Improvements	2,109,546	2,084,912	7,008	6,931	2,116,554	2,091,843
Buildings and Improvements	42,147,498	42,385,414	64,946	63,397	42,212,444	42,448,811
Furniture and Equipment	1,164,505	1,420,248	31,674	40,428	1,196,179	1,460,676
Construction in Progress	<u>758,836</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>758,836</u>	<u>0</u>
Total Net Assets	<u>\$49,254,851</u>	<u>\$48,965,040</u>	<u>\$103,628</u>	<u>\$110,756</u>	<u>\$49,358,479</u>	<u>\$49,075,796</u>

The increase in capital assets is due to \$1.77 million in building and improvements and equipment additions, offset by the recognition of \$1.31 million in depreciation. This District continues its ongoing commitment to maintaining and improving its capital assets.

### Debt

At June 30, 2003, the District had \$39,438,712 in bonds and capital leases payable, \$1,663,709 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
Total:		
General Obligation Bonds:		
Energy Conservation Note	\$45,000	\$85,000
Promissory Note	132,648	147,387
P.I. Tax Anticipation Note	1,750,000	1,750,000
School Improvement Bonds	800,000	900,00
School Improvement Bonds	10,595,000	10,620,000
School Improvement Bonds	2,878,182	3,328,182
Energy Conservation Bonds	105,000	170,000
School Improvement Bonds	2,200,000	2,300,000
School Improvement Bonds	<u>20,810,000</u>	<u>20,960,000</u>
Subtotal Bonds	39,315,830	40,260,569
Capital Leases Payable		
Cisco Equipment	0	108,287
IP Telephony	<u>122,882</u>	<u>161,961</u>
Subtotal Capital Leases Payable	<u>122,882</u>	<u>270,248</u>
Total Outstanding Debt at Year End	<u>\$39,438,712</u>	<u>\$40,530,817</u>

### **For the Future**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

In addition, the District’s system of budgeting and internal controls is well regarded. All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

### **Contacting the District’s Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Mowery, Treasurer at Kings Local School District, 5620 Columbia Road, Kings Mills, Ohio 45034. Or E-mail at [mmowery@kingslocal.k12.oh.us](mailto:mmowery@kingslocal.k12.oh.us).

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Kings Local School District  
Statement of Net Assets  
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$5,934,739	\$343,455	\$6,278,194
Cash with Fiscal and Escrow Agents	1,372,188	0	1,372,188
Receivables:			
Taxes	22,716,116	0	22,716,116
Accounts	7,344	0	7,344
Intergovernmental	217,412	10,448	227,860
Internal Balances	10,325	(10,325)	0
Inventory	0	65,412	65,412
Nondepreciable Capital Assets	3,074,466	0	3,074,466
Depreciable Capital Assets, Net	45,890,574	110,756	46,001,330
<b>Total Assets</b>	<b>79,223,164</b>	<b>519,746</b>	<b>79,742,910</b>
Liabilities:			
Accounts Payable	497,207	10,116	507,323
Accrued Wages and Benefits	2,690,673	115,418	2,806,091
Retainage Payable	43,077	0	43,077
Accrued Interest Payable	200,391	0	200,391
Deferred Revenue	18,822,054	13,691	18,835,745
Long-Term Liabilities:			
Due Within One Year	1,841,425	12,303	1,853,728
Due In More Than One Year	39,049,408	24,529	39,073,937
<b>Total Liabilities</b>	<b>63,144,235</b>	<b>176,057</b>	<b>63,320,292</b>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,091,668	40,428	8,132,096
Restricted for:			
Debt Service	2,733,369	0	2,733,369
Capital Projects	3,230,235	0	3,230,235
Special Revenue	607,087	0	607,087
Unrestricted	1,416,570	303,261	1,719,831
<b>Total Net Assets</b>	<b>\$16,078,929</b>	<b>\$343,689</b>	<b>\$16,422,618</b>

See accompanying notes.

Kings Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$15,684,820	\$43,656	\$150,360	\$0
Special	2,444,730	0	138,037	0
Other	155,609	0	1,652	0
Support Services:				
Pupil	1,395,690	322	178,273	0
Instructional Staff	1,640,781	0	227,289	0
General Administration	93,198	0	0	0
School Administration	2,508,909	15,140	3,720	0
Fiscal	736,428	0	0	0
Business	177,469	0	0	0
Operations and Maintenance	3,170,600	63,979	21,771	0
Pupil Transportation	1,451,626	0	1,238	41,986
Central	132,422	0	0	0
Community Services	549,925	0	422,478	0
Extracurricular Activities	1,187,602	111,862	13,075	0
Interest and Fiscal Charges	2,252,324	0	0	0
Total Governmental Activities	33,582,133	234,959	1,157,893	41,986
Business-Type Activities:				
Food Service	979,554	738,883	181,843	0
Uniform School Supply	188,621	179,196	0	0
Special Enterprise	704,876	853,830	0	0
Preschool Grant	23,650	2,294	10,330	0
Total Business-Type Activities	1,896,701	1,774,203	192,173	0
Totals	\$35,478,834	\$2,009,162	\$1,350,066	\$41,986

General Revenues:  
Property Taxes Levied for:  
    General Purposes  
    Debt Service  
    Capital Projects  
Grants and Entitlements not Restricted to Specific Programs  
Payment in Lieu of Taxes  
Unrestricted Contributions  
Investment Earnings  
Other Revenues

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$15,490,804)	\$0	(\$15,490,804)
(2,306,693)	0	(2,306,693)
(153,957)	0	(153,957)
(1,217,095)	0	(1,217,095)
(1,413,492)	0	(1,413,492)
(93,198)	0	(93,198)
(2,490,049)	0	(2,490,049)
(736,428)	0	(736,428)
(177,469)	0	(177,469)
(3,084,850)	0	(3,084,850)
(1,408,402)	0	(1,408,402)
(132,422)	0	(132,422)
(127,447)	0	(127,447)
(1,062,665)	0	(1,062,665)
(2,252,324)	0	(2,252,324)
<u>(32,147,295)</u>	<u>0</u>	<u>(32,147,295)</u>
0	(58,828)	(58,828)
0	(9,425)	(9,425)
0	148,954	148,954
0	(11,026)	(11,026)
<u>0</u>	<u>69,675</u>	<u>69,675</u>
<u>(\$32,147,295)</u>	<u>\$69,675</u>	<u>(\$32,077,620)</u>
18,370,392	0	18,370,392
3,161,238	0	3,161,238
1,287,360	0	1,287,360
8,997,104	0	8,997,104
968,685	0	968,685
33,750	0	33,750
154,008	2,764	156,772
477,603	14,201	491,804
<u>33,450,140</u>	<u>16,965</u>	<u>33,467,105</u>
1,302,845	86,640	1,389,485
<u>14,776,084</u>	<u>257,049</u>	<u>15,033,133</u>
<u>\$16,078,929</u>	<u>\$343,689</u>	<u>\$16,422,618</u>

Kings Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2003

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$2,641,862	\$2,473,227	\$819,650	\$5,934,739
Cash with Fiscal and Escrow Agents	0	0	1,372,188	1,372,188
<b>Receivables:</b>				
Taxes	18,673,553	2,935,816	1,106,747	22,716,116
Accounts	7,344	0	0	7,344
Intergovernmental	2,314	0	215,098	217,412
Interfund	124,474	0	0	124,474
<b>Total Assets</b>	<b>21,449,547</b>	<b>5,409,043</b>	<b>3,513,683</b>	<b>30,372,273</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	364,788	2,859	129,560	497,207
Accrued Wages and Benefits	2,425,277	0	50,465	2,475,742
Compensated Absences	84,715	0	0	84,715
Retainage Payable	0	0	43,077	43,077
Interfund Payable	0	0	114,149	114,149
Deferred Revenue	15,915,722	2,472,424	925,257	19,313,403
<b>Total Liabilities</b>	<b>18,790,502</b>	<b>2,475,283</b>	<b>1,262,508</b>	<b>22,528,293</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	467,599	0	637,143	1,104,742
Reserved for Property Tax Advances	2,456,547	463,392	289,933	3,209,872
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	(265,101)	0	0	(265,101)
Special Revenue Funds	0	0	149,794	149,794
Debt Service Funds	0	2,470,368	0	2,470,368
Capital Projects Funds	0	0	1,174,305	1,174,305
<b>Total Fund Balances</b>	<b>2,659,045</b>	<b>2,933,760</b>	<b>2,251,175</b>	<b>7,843,980</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$21,449,547</b>	<b>\$5,409,043</b>	<b>\$3,513,683</b>	<b>\$30,372,273</b>

See accompanying notes.

Kings Local School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2003

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Total Governmental Fund Balance	\$7,843,980
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	48,965,040
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	491,349
In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(200,391)
Some liabilities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(1,582,337)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(39,438,712)</u>
Net Assets of Governmental Activities	<u><u>\$16,078,929</u></u>

See accompanying notes.

Kings Local School District  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2003

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$18,385,794	\$3,161,238	\$1,287,359	\$22,834,391
Tuition and Fees	44,938	0	0	44,938
Investment Earnings	95,220	0	58,788	154,008
Intergovernmental	8,709,447	317,248	1,296,192	10,322,887
Extracurricular Activities	0	0	112,619	112,619
Other Revenues	594,031	0	454,185	1,048,216
<b>Total Revenues</b>	<b>27,829,430</b>	<b>3,478,486</b>	<b>3,209,143</b>	<b>34,517,059</b>
Expenditures:				
Current:				
Instruction:				
Regular	12,794,565	0	2,232,974	15,027,539
Special	2,215,208	0	225,151	2,440,359
Other	155,455	0	0	155,455
Support Services:				
Pupil	1,244,292	0	149,638	1,393,930
Instructional Staff	1,435,409	0	196,748	1,632,157
General Administration	93,198	0	0	93,198
School Administration	2,629,769	0	164,146	2,793,915
Fiscal	654,394	49,232	35,698	739,324
Business	177,511	0	0	177,511
Operations and Maintenance	2,997,045	0	217,263	3,214,308
Pupil Transportation	1,494,818	0	1,000	1,495,818
Central	132,365	0	0	132,365
Community Services	147,663	2,859	396,554	547,076
Extracurricular Activities	643,457	0	525,504	1,168,961
Debt Service:				
Principal Retirement	94,079	825,000	173,026	1,092,105
Interest and Fiscal Charges	15,276	2,192,248	58,552	2,266,076
<b>Total Expenditures</b>	<b>26,924,504</b>	<b>3,069,339</b>	<b>4,376,254</b>	<b>34,370,097</b>
Net Change in Fund Balance	904,926	409,147	(1,167,111)	146,962
Fund Balance Beginning of Year	1,754,119	2,524,613	3,418,286	7,697,018
Fund Balance End of Year	<u>\$2,659,045</u>	<u>\$2,933,760</u>	<u>\$2,251,175</u>	<u>\$7,843,980</u>

See accompanying notes.

Kings Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2003

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Net Change in Fund Balance - Total Governmental Funds	\$146,962
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(260,923)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	366,758
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,092,105
In the statement of activities, interest is accrued, whereas in governmental funds, an interest expenditure is reported when due.	(13,975)
Some expenses reported in the statement of activities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(28,082)</u>
Change in Net Assets of Governmental Activities	<u><u>\$1,302,845</u></u>

See accompanying notes.

Kings Local School District  
Statement of Net Assets  
Proprietary Funds  
June 30, 2003

	<u>Total Business-Type Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$343,455
Receivables:	
Intergovernmental	10,448
Inventory	<u>65,412</u>
Total Current Assets	<u>419,315</u>
Depreciable Capital Assets, Net	<u>110,756</u>
Total Assets	<u>530,071</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	10,116
Accrued Wages and Benefits	115,418
Compensated Absences	12,303
Interfund Payable	10,325
Deferred Revenue	<u>13,691</u>
Total Current Liabilities	<u>161,853</u>
Long-Term Liabilities:	
Compensated Absences	<u>24,529</u>
Total Liabilities	<u>186,382</u>
Net Assets:	
Unrestricted	<u>303,261</u>
Total Net Assets	<u><u>\$343,689</u></u>

See accompanying notes.

Kings Local School District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2003

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	Total Business-Type Activities
Operating Revenues:	
Tuition and Fees	\$1,033,026
Charges for Services	741,177
Other Revenues	14,201
	<hr/>
Total Operating Revenues	1,788,404
	<hr/>
Operating Expenses:	
Personal Services	1,229,077
Contactual Services	16,730
Materials and Supplies	618,706
Depreciation	10,715
Other Expenses	21,473
	<hr/>
Total Operating Expenses	1,896,701
	<hr/>
Operating Income (Loss)	(108,297)
	<hr/>
Non-Operating Revenues (Expenses):	
Investment Earnings	2,764
Donated Commodities	67,752
Operating Grants	124,421
	<hr/>
Total Non-Operating Revenues (Expenses)	194,937
	<hr/>
Change in Net Assets	86,640
	<hr/>
Net Assets Beginning of Year	257,049
	<hr/>
Net Assets End of Year	\$343,689
	<hr/> <hr/>

See accompanying notes.

Kings Local School District  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2003

	<u>Total Business-Type Activities</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,788,404
Cash Payments to Employees	(1,226,929)
Cash Payments to Suppliers	(607,904)
Other Cash Payments	<u>(21,473)</u>
Net Cash Provided (Used) by Operating Activities	<u>(67,902)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	114,091
Payments from Other Funds	<u>10,325</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>124,416</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	<u>(17,843)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(17,843)</u>
Cash Flows from Investing Activities:	
Earnings on Investments	<u>2,764</u>
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>2,764</u>
Net Increase (Decrease) in Cash and Cash Equivalents	41,435
Cash and Cash Equivalents Beginning of Year	<u>302,020</u>
Cash and Cash Equivalents End of Year	<u><u>343,455</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(108,297)
Adjustments:	
Depreciation	10,715
Donated Commodities	67,752
Changes in Assets & Liabilities:	
(Increase) Decrease in Inventory	(16,950)
Increase (Decrease) in Payables	3,605
Increase (Decrease) in Accrued Liabilities	2,148
Increase (Decrease) in Deferred Revenue	<u>(26,875)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$67,902)</u></u>
Schedule of Noncash Capital Activities:	
During the fiscal year, the Food Service Fund received contributed food commodities valued at	\$67,752

See accompanying notes.

Kings Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2003

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	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$54,651</u>
Total Assets	<u><u>\$54,651</u></u>
Liabilities:	
Accounts Payable	1,387
Other Liabilities	<u>53,264</u>
Total Liabilities	<u><u>\$54,651</u></u>

See accompanying notes.

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**KINGS LOCAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2003**

**1. DESCRIPTION OF THE DISTRICT**

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**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. For business-type activities and proprietary funds, the District has elected not to follow subsequent private-sector guidance. The most significant of the District's accounting policies are described below.

## **MEASUREMENT FOCUS**

### **Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

### **Fund Financial Statements**

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary Funds are reported using the economic resources measurement focus.

## **FUND ACCOUNTING**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

## **Governmental Funds**

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

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

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

## **Proprietary Fund**

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

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

## **Fiduciary Funds**

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

## **3. BASIS OF ACCOUNTING**

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

## Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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. 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 year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 year end: property taxes available for advance, grants and interest.

### Deferred Revenue

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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

### Expenses/Expenditures

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.

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

## **CASH AND CASH EQUIVALENTS**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and investments” on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. 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, 2003.

The District had an investment of \$1,367,000 on deposit with National City Bank, which was in turn invested in Bayerische Hypo Und Verinsbank, under the authority of the Rickenbacker Port Authority Capital Funding Revenue Bond (OASBO Expanded Asset Pooling Financing Program) 2002 Reservation Account. The District began participating in the program in June 2001 for the purpose of borrowing permanent improvement levy proceeds in an advance of collection. The District has since drawn down the balance of funds on deposit with National City as permanent improvement projects have been completed.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$156,772.

For purposes of the statement of cash flows, the Enterprise Funds’ portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

## **INVENTORY**

On government-wide and proprietary fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

## **CAPITAL ASSETS**

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

All capital 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 District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	100 years	N/A
Buildings and Improvements	20-50 years	N/A
Equipment	5 - 20 years	5 - 20 years

### **COMPENSATED ABSENCES**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probably of receiving payment in the future. The amount is based on accumulated sick leave employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid when due. 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 entire amount of compensated absences is reported as a fund liability in Proprietary Funds.

## **NET ASSETS**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## **OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, adult education and community school. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

## **INTERFUND ACTIVITY**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

## **FUND EQUITY**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

## **CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the Enterprise Funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003.

### RESTATEMENT OF FUND BALANCE

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$1,754,119	\$2,524,613	\$3,389,396	\$7,668,128
GASB 34 Adjustments:				
Capital Assets				\$49,254,851
Accrued Interest Payable				(186,416)
Compensated Absences Payable				(1,373,667)
Deferred Revenue				124,591
Accrued Wages and Benefits				(180,588)
Long Term Liabilities				(40,530,815)
Governmental Activities Net Assets, June 30, 2002				<u>\$14,776,084</u>

At June 30, 2002, fixed assets were restated in the Enterprise Funds. This restatement had the following effect on fund equity as it was previously reported:

	<u>Food Service</u>	<u>Uniform School Supply</u>	<u>Special Enterprise</u>	<u>Preschool Grant</u>	<u>Total</u>
Fund Equity June 30, 2002	\$506,940	\$41,085	(\$62,777)	\$11,533	\$496,781
Fixed Assets	<u>(311,686)</u>	<u>0</u>	<u>71,954</u>	<u>0</u>	<u>(239,732)</u>
Adjusted Net Assets, June 30, 2002	<u>\$195,254</u>	<u>\$41,085</u>	<u>\$9,177</u>	<u>\$11,533</u>	<u>\$257,049</u>

#### 4. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and cash equivalents."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – At the year end, the carrying amount of the District's deposits was \$3,670,192. The bank balance of deposits was \$3,618,073 of which \$100,000 was covered by federal depository insurance. The remaining balance of \$3,518,073 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the 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 District's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Investment by National City Bank by Bayerisch Hypo Und Vereinsbank	\$0	\$0	\$1,372,188	\$1,372,188
State Treasury Pool*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,662,653</u>
Total Investments	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$4,034,841</u></u>

\*The District's Investment in the Ohio State Treasury Pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

## 5. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2003, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The Warren County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2003. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$2,456,547 for General Fund, \$463,392 for Debt Service and \$289,933 for the Permanent Improvement Fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$502,391,500
Public Utility Personal	15,388,580
Tangible Personal Property	<u>85,476,410</u>
Total	<u>\$603,256,490</u>

## 6. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

## 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Government Activities</b>				
Land	\$3,074,466	\$0	\$0	\$3,074,466
Land Improvements	2,384,043	0	0	2,384,043
Buildings & Improvements	50,162,656	1,253,824	0	51,416,480
Equipment	4,497,414	518,671	0	5,016,085
Construction in Progress	<u>758,836</u>	<u>0</u>	<u>758,836</u>	<u>0</u>
Totals at Historical Cost	<u>\$60,877,415</u>	<u>\$1,772,495</u>	<u>\$758,836</u>	<u>\$61,891,074</u>
Less Accumulated Depreciation:				
Land Improvements	\$274,497	\$24,634	\$0	\$299,131
Building Improvements	8,015,158	1,015,908	0	9,031,066
Equipment	<u>3,332,909</u>	<u>262,928</u>	<u>0</u>	<u>3,595,837</u>
Total Accumulated Depreciation	<u>\$11,622,564</u>	<u>\$1,303,470</u>	<u>\$0</u>	<u>\$12,926,034</u>
Governmental Activities Capital Assets, Net	<u>\$49,254,851</u>	<u>\$469,025</u>	<u>\$758,836</u>	<u>\$48,965,040</u>
<b>Business-Type Activities</b>				
Land Improvements	\$7,708	\$0	\$0	\$7,708
Buildings & Improvements	77,471	0	0	77,471
Equipment	<u>265,075</u>	<u>20,044</u>	<u>8,003</u>	<u>277,116</u>
Total at Historical Cost	<u>\$350,254</u>	<u>\$20,044</u>	<u>\$8,003</u>	<u>\$362,295</u>
Less Accumulated Depreciation:				
Land Improvements	\$700	\$77	\$0	\$777
Buildings & Improvements	12,525	1,549	0	14,074
Equipment	<u>233,401</u>	<u>9,089</u>	<u>5,802</u>	<u>236,688</u>
Total Accumulated Depreciation	<u>\$246,626</u>	<u>\$10,715</u>	<u>\$5,802</u>	<u>\$251,539</u>
Business-Type Activities Capital Assets, Net	<u>\$103,628</u>	<u>\$9,329</u>	<u>\$2,201</u>	<u>\$110,756</u>

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,089,572
Support Services:	
Instructional Staff	7,038
School Administration	24,411
Fiscal	2,575
Operations and Maintenance	21,484
Pupil Transportation	120,539
Community Services	2,783
Extracurricular Activities	<u>35,068</u>
Total Depreciation Expense	<u>\$1,303,470</u>

## 8. LONG-TERM LIABILITIES

	<u>Maturity Dates</u>	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds and Loans Payable:						
School Improvement 1994 6.70%	12/01/10	\$ 900,000	\$ 0	\$ 100,000	\$ 800,000	\$100,000
School Improvement 1995 5.86%	12/01/21	10,620,000	0	25,000	10,595,000	25,000
School Improvement 1998 4.45%	12/01/09	3,328,182	0	450,000	2,878,182	470,000
EPA Asbestos Loan 1993 0.00%	05/30/13	147,387	0	14,739	132,648	14,739
Energy Conservation Loan 1993 4.65%	12/01/03	85,000	0	40,000	45,000	45,000
Energy Conservation Bond 1998 4.20%	12/01/04	170,000	0	65,000	105,000	55,000
School Improvement 1999 4.75%	12/01/24	2,300,000	0	100,000	2,200,000	100,000
School Improvement 2000 5.47%	12/01/25	20,960,000	0	150,000	20,810,000	250,000
Loan Payable 2003 3.36%	01/01/06	<u>1,750,000</u>	<u>0</u>	<u>0</u>	<u>1,750,000</u>	<u>565,000</u>
Total General Obligation Bonds		40,260,569	0	944,739	39,315,830	1,624,739
Compensated Absences		1,373,667	78,454	0	1,452,121	177,716
Capital Leases		<u>270,248</u>	<u>0</u>	<u>147,366</u>	<u>122,882</u>	<u>38,970</u>
Total Governmental Activities Long-Term Liabilities		<u>\$41,904,484</u>	<u>\$78,454</u>	<u>\$1,092,105</u>	<u>\$40,890,833</u>	<u>\$1,841,425</u>
<u>Business-Type Activities</u>						
Compensated Absences		<u>\$39,441</u>	<u>\$0</u>	<u>\$2,609</u>	<u>\$36,832</u>	<u>\$12,303</u>

### SCHOOL IMPROVEMENT BONDS

On various occasions, the School District issued general obligation bonds for the purpose of additions and improvements to school buildings in the School District. The maturity dates of the bonds range from 2001 to 2026. The interest rates vary from 4.45% to 11.625%. The bonds are being paid from the general 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, 2003, \$3,353,332 of bonds outstanding are considered defeased.

### 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 general fund and permanent improvement capital projects funds.

**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.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund.

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

<u>General Obligation Bonds and Loan Payable</u>			
<u>Fiscal Year</u>			
<u>Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$1,624,738	\$2,204,889	\$3,829,627
2005	1,749,738	2,139,268	3,889,006
2006	1,864,738	2,061,973	3,926,711
2007	1,424,738	1,978,315	3,403,053
2008	1,619,739	1,901,153	3,520,892
2009-2013	5,752,139	9,306,629	15,058,768
2014-2018	7,920,000	6,464,372	14,384,372
2019-2023	11,735,000	3,385,288	15,120,288
2024-2026	<u>5,625,000</u>	<u>529,036</u>	<u>6,154,036</u>
Totals	<u>\$39,315,830</u>	<u>\$29,970,923</u>	<u>\$69,286,753</u>

**9. LOAN PAYABLE**

The District in fiscal year 2002 entered into a \$1.75 million loan payable to the Rickenbacker Port Authority, Ohio (the Port Authority).

The loan was made by the Port Authority to the District as the result of the Port Authority's issuance of bonds, the proceeds of which were made available to numerous public school districts in Ohio to assist in the financing and re-financing of permanent improvements and was sponsored by the Ohio School Board Association Expanded Asset Pooled Financing Program. The following is a schedule of future required minimum loan payments using an imputed interest rate:

Fiscal Year	
<u>Ending</u>	<u>Payments</u>
2004	\$614,700
2005	621,250
2006	<u>617,265</u>
Total Loan Payments	\$1,853,215
Less Amount Representing Interest and Executory Costs	<u>103,215</u>
June 30, 2003 Loan Liability	<u>\$1,750,000</u>

## 10. LEASES

### CAPITAL LEASES

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 Basic Financial Statements for the governmental fund statement. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets consisting of IP Telephony and the new voice, video, and data equipment have been capitalized as capital assets in the amount of \$474,572, which represents the present value of the minimum lease payments at the time of acquisition.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year	Long-Term
<u>Ending June 30,</u>	<u>Debt</u>
2004	\$ 43,353
2005	43,263
2006	<u>43,168</u>
Total Minimum Lease Payments	129,784
Less: Amount Representing Interest	<u>(6,902)</u>
Present Value of Minimum Lease Payments	<u>\$122,882</u>

## 11. DEFINED BENEFIT PENSION PLANS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$757,026, \$673,644, and \$143,503 respectively; 46.5% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001. \$382,800 represents the unpaid contribution for fiscal year 2003.

## **STATE TEACHERS RETIREMENT SYSTEM**

The District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,990,856, \$1,712,424, and \$1,148,705 respectively; 82.7% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001. \$339,516 represents the unpaid contribution for fiscal year 2003.

## **12. POST EMPLOYMENT BENEFITS**

The 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 included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision 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.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$632,486 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

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

For 2003 fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$436,762 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2003, net health care costs paid by SERS were \$204,930,737.

### 13. CONTINGENT LIABILITIES

#### GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2003.

#### LITIGATION

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

### 14. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Indiana Insurance for fleet insurance and liability insurance. Property is protected by Indiana Insurance.

Coverage provided by Indiana Insurance is as follows:

Building and Contents - replacement cost (\$2,500 deductible)	\$60,722,972
Boiler and Machinery (\$500 deductible)	4,000,000
Crime Insurance	10,000
Automobile Liability (\$250 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	300,000
General Liability	
Per occurrence	1,000,000
Total per year	2,000,000

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 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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.

**15. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**16. COMPLIANCE AND ACCOUNTABILITY**

The following individual fund had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Fund:	
Title I	\$8,518

The following funds had expenditures in excess of appropriations for fiscal year ended June 30, 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Bond Retirement Fund	\$3,058,173	\$3,067,405	(\$9,232)
Building Fund	1,464,998	1,551,420	(86,422)

**17. FUND BALANCE RESERVES FOR SET-ASIDES**

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.

For fiscal year ended June 30, 2003, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers’ Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2002	(\$78,362)	\$ 0
Current Year Set-aside Requirement	498,387	498,387
Qualified Disbursements	(601,788)	2,897,557
Current Year Offsets	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>(\$181,763)</u>	<u>\$ 0</u>
Restricted Cash as of June 30, 2003	<u>\$ 0</u>	<u>\$ 0</u>
Carried Forward to FY 2004	<u>(\$181,763)</u>	<u>\$ 0</u>

Qualifying disbursements and carryover from prior years for textbooks totaled \$680,150, resulting in \$181,763 for carryover to offset textbook requirements in future years. The reserve balance in the capital acquisition cannot be carried forward.

## 18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$124,474	
Special Revenue Fund:		
District Managed Student Activities		\$7,225
Title VI-B		26,938
Title I		20,344
Title VI		1,979
Drug-Free Schools		9,366
Improving Teacher Quality		47,437
Miscellaneous Federal Grants		860
Enterprise Fund:		
Preschool Grant	<u>          </u>	<u>10,325</u>
	<u>\$124,474</u>	<u>\$124,474</u>

## 19. JOINTLY GOVERNED ORGANIZATIONS

*Southwest, Ohio Computer Association* - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Hamilton, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

*Warren County Career Center* - The Warren County Career Center is a distinct political subdivision of the State of Ohio. It is operated under the direction of a Board consisting of one of the elected board members from each of the participating school districts, including one member from the Kings Local School District Board of Education. Warren County Career Center was formed for the purpose of providing vocational education opportunities to the students of the School District. 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. 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.

## **20. INSURANCE PURCHASING POOL**

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

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Kings Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$15,966,724	\$17,020,046	\$16,366,772	(\$653,274)
Revenue in lieu of taxes	0	0	0	0
Tuition and Fees	44,815	47,772	45,938	(1,834)
Interest	92,893	99,021	95,220	(3,801)
Intergovernmental	8,494,307	9,054,675	8,707,133	(347,542)
Other Revenues	574,096	611,969	588,480	(23,489)
Total Revenues	<u>25,172,835</u>	<u>26,833,483</u>	<u>25,803,543</u>	<u>(1,029,940)</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,286,103	12,965,463	12,669,038	296,425
Special	2,197,909	2,319,443	2,266,414	53,029
Other	156,704	165,369	161,588	3,781
Support Services:				
Pupil	1,158,715	1,222,786	1,194,830	27,956
Instructional Staff	1,494,888	1,577,548	1,541,481	36,067
General Administration	94,343	99,559	97,283	2,276
School Administration	2,559,653	2,701,189	2,639,433	61,756
Fiscal	654,890	691,102	675,302	15,800
Business	175,992	185,723	181,477	4,246
Operations and Maintenance	3,321,970	3,505,659	3,425,510	80,149
Pupil Transportation	1,531,851	1,616,555	1,579,596	36,959
Central	183,921	194,090	189,653	4,437
Community Services	137,440	145,040	141,724	3,316
Extracurricular Activities	644,922	680,583	665,023	15,560
Debt Service:				
Principal Retirement	55,000	55,000	55,000	0
Interest and Fiscal Charges	7,011	8,944	8,944	0
Total Expenditures	<u>26,661,312</u>	<u>28,134,053</u>	<u>27,492,296</u>	<u>641,757</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,488,477)</u>	<u>(1,300,570)</u>	<u>(1,688,753)</u>	<u>(388,183)</u>
Other financing sources (uses):				
Advances In	991,327	1,056,725	1,016,165	(40,560)
Advances (Out)	(120,900)	(127,585)	(124,668)	2,917
Total Other Financing Sources (Uses)	<u>870,427</u>	<u>929,140</u>	<u>891,497</u>	<u>(37,643)</u>
Net Change in Fund Balance	(618,050)	(371,430)	(797,256)	(425,826)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>2,606,733</u>	<u>2,606,733</u>	<u>2,606,733</u>	<u>0</u>
Fund Balance End of Year	<u>\$1,988,683</u>	<u>\$2,235,303</u>	<u>\$1,809,477</u>	<u>(\$425,826)</u>

See accompanying notes.

**KINGS LOCAL SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2003**

**1. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by Board at the fund level within each individual fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2003.

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

While the District is reporting financial position, results of operations and changes in fund balance 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$904,926
Net Adjustment for Revenue Accruals	(1,009,722)
Net Adjustment for Expenditure Accruals	139,927
Encumbrances	<u>(832,387)</u>
Budget Basis	<u>(\$797,256)</u>

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**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education.</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU	10.550		\$90,055		\$90,055
National School Breakfast Program	05-PU	10.553	\$6,250	0	\$6,250	0
National School Lunch Program	LL-P4	10.555	103,449	0	103,449	0
Total U.S. Department of Agriculture - Nutrition Cluster			<b>109,699</b>	<b>90,055</b>	<b>109,699</b>	<b>90,055</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education.</i>						
Special Education Cluster:						
Title VI-B Grant	6B-SF	84.027	385,513	0	322,965	0
Preschool Grant	PG-S1	84.173	2,294	0	23,650	0
Total Special Education Cluster			<b>387,807</b>	<b>0</b>	<b>346,615</b>	<b>0</b>
Title I Grant	C1-S1	84.010	156,739	0	158,893	0
Title VI Grant	C2-S1	84.298	12,511	0	16,536	0
Improving Teacher Quality State Grant	TR-S1	84.367	73,294	0	148,454	0
Education Technology State Grant	TJ-S1	84.318	940	0	7,600	0
Drug-Free Schools Grant	DR-S1	84.186	10,891	0	18,805	0
Total Department of Education			<b>642,182</b>	<b>0</b>	<b>696,903</b>	<b>0</b>
<b>Totals</b>			<b>\$751,881</b>	<b>\$90,055</b>	<b>\$806,602</b>	<b>\$90,055</b>

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

**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C -- MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the accompanying financial statements of Kings Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated May 28, 2004, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34, 37, 38, 39 and Governmental Standards Board Interpretation 6. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 28, 2004.

#### 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 May 28, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 28, 2004



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Kings Local School District, Warren County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2003. 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, 2003.

#### Internal Control Over Compliance

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

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 28, 2004

**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2003**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster (84.027, 84.173)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

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

None.

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**KINGS LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 §.315 (b)  
JUNE 30, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-10483-001	Not Properly Encumbering	Partially Corrected	Re-issued in management letter
2002-10483-002	Expenditures Exceeding Appropriations	Partially Corrected	Re-issued in management letter





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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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  
JULY 1, 2004**