

# **Kings Local School District**

Basic Financial Statements

Year Ended June 30, 2008

with Independent Auditors' Report





Mary Taylor, CPA  
Auditor of State

Board of Education  
Kings Local School District  
1797 Kings Avenue  
Kings Mills, Ohio 45034

We have reviewed the *Independent Auditors' Report* of the Kings Local School District, Warren County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Kings Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 4, 2009

**This Page is Intentionally Left Blank.**

## TABLE OF CONTENTS

Independent Auditors' Report .....	1 – 2
Management's Discussion and Analysis .....	3 – 10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13 – 14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15 – 16
Statement of Net Assets – Proprietary Funds .....	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds.....	19
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds .....	20
Notes to the Basic Financial Statements .....	21 – 40
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	41
Notes to the Required Supplementary Information.....	42
Additional Information:	
Schedule of Expenditures of Federal Awards .....	43
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	44 – 45
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	46 – 47
Schedule of Findings and Questioned Costs .....	48 – 49
Schedule of Prior Audit Findings.....	50

**This Page is Intentionally Left Blank.**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Kings Local School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Kings Local School District (the "School District") as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on the 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 the 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, business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2008 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

105 east fourth street, ste. 1500  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 41 through 42, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 30, 2008

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*(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, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows :

- In total, net assets increased \$4,831,098. Net assets of governmental activities increased \$4,969,703 which represents an 69% increase from 2007. Net assets of business-type activities decreased \$138,605 or 243% from 2007.
- Total assets of governmental activities increased by \$3,578,676 as capital assets increased \$7,247,056 and cash, cash equivalents, and investments decreased \$4,137,635.
- General revenues accounted for \$42,870,729 in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,325,889 or 9% of total revenues of \$47,196,618.
- The District had \$42,365,520 in expenses related to governmental and business-type activities; only \$4,325,889 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$42,870,729 were also used to provide for these programs.
- As a major fund, the General Fund had \$35,173,892 in revenues and \$33,970,564 in expenditures. The General Fund's balance increased from \$7,086,423 to \$8,289,751. The other major funds, Debt Service and Building Capital Project Funds, had \$4,653,942 and \$28,849,480 in revenues and other financing sources and \$4,434,792 and \$36,285,724 in expenditures and other uses, respectively. The Debt Service fund balance increased from \$3,337,679 to \$3,556,829. The Building Capital Project fund balance decreased from \$26,195,856 to \$18,759,612.
- Net assets for business-type activities decreased by \$138,605. This decrease resulted from operating revenue of \$1,948,934 and nonoperating revenue of \$262,404 being exceeded by operating expenses of \$2,349,943.

**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 *Statement 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 Fund, Debt Service Fund, and Building Capital Project Fund are the major funds of the District.

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

---

## **Reporting the 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 question, "How did we do financially during 2008?" The *Statement of Net Assets* and the *Statement of Activities* answer 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 funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. 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.

**Kings Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)

**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 2007 compared to 2008:

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	2007	2008	Restated 2007
<b>Assets</b>						
Current and Other Assets	\$ 66,482,774	\$ 70,151,154	\$ 189,650	\$ 264,960	\$ 66,672,424	\$ 70,416,114
Capital Assets	44,789,338	37,542,282	137,230	132,467	44,926,568	37,674,749
Total Assets	<u>111,272,112</u>	<u>107,693,436</u>	<u>326,880</u>	<u>397,427</u>	<u>111,598,992</u>	<u>108,090,863</u>
<b>Liabilities</b>						
Long-Term Liabilities	66,966,604	68,064,491	144,600	76,779	67,111,204	68,141,270
Other Liabilities	32,172,844	31,001,352	263,839	263,602	32,436,683	31,264,954
Total Liabilities	<u>99,139,448</u>	<u>99,065,843</u>	<u>408,439</u>	<u>340,381</u>	<u>99,547,887</u>	<u>99,406,224</u>
<b>Net Assets</b>						
Invested in Capital	1,652,419	(2,366,701)	137,230	132,467	1,789,649	(2,234,234)
Assets, Net of Debt						
Restricted	3,815,166	4,044,343	-	-	3,815,166	4,044,343
Unrestricted	6,665,079	5,485,319	(218,789)	(75,421)	6,446,290	5,409,898
Total Net Assets	<u>\$ 12,132,664</u>	<u>\$ 7,162,961</u>	<u>\$ (81,559)</u>	<u>\$ 57,046</u>	<u>\$ 12,051,105</u>	<u>\$ 7,220,007</u>

For Governmental Activities, total assets increased \$3,578,676. Equity in cash, cash equivalents, and investments decreased \$4,137,635 and capital assets increased \$7,247,056 due to the District's ongoing construction. Total liabilities increased \$73,605, resulting in a net asset increase of \$4,969,703.

The net assets of the District's business-type activities decreased by \$138,605. Because of the decrease, management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

**Kings Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)

Table 2 shows the change in net assets for fiscal year 2008 as compared to fiscal year 2007.

Table 2  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	Restated 2007	2008	2007	2008	Restated 2007
Revenues						
Program Revenues:						
Charges for Services	\$ 367,449	\$ 403,654	\$ 1,921,058	\$ 1,776,999	\$ 2,288,507	\$ 2,180,653
Operating Grants	1,763,538	1,466,179	260,849	313,034	2,024,387	1,779,213
Capital Grants	12,995	25,158	-	-	12,995	25,158
General Revenues:						
Property Taxes	26,621,271	26,951,499	-	-	26,621,271	26,951,499
Grants and Entitlements	12,245,711	11,031,112	-	-	12,245,711	11,031,112
Other	3,974,366	2,495,393	29,381	14,843	4,003,747	2,510,236
Total Revenues	<u>44,985,330</u>	<u>42,372,995</u>	<u>2,211,288</u>	<u>2,104,876</u>	<u>47,196,618</u>	<u>44,477,871</u>
Program Expenses:						
Instruction	22,307,624	21,789,736	-	-	22,307,624	21,789,736
Support Services:						
Pupil and Instructional Staff	3,124,907	2,840,459	-	-	3,124,907	2,840,459
School Administration, General						
Administration, Fiscal, and						
Business	4,655,658	4,426,541	-	-	4,655,658	4,426,541
Operation and Maintenance	2,457,696	3,700,859	-	-	2,457,696	3,700,859
Pupil Transportation	2,385,567	2,080,362	-	-	2,385,567	2,080,362
Central	230,662	145,693	-	-	230,662	145,693
Operation of Non-Instructional						
Services	769,130	545,449	-	-	769,130	545,449
Extracurricular Activities	1,254,622	1,250,640	-	-	1,254,622	1,250,640
Interest and Fiscal Charges	2,829,761	2,372,299	-	-	2,829,761	2,372,299
Food Service	-	-	1,140,674	1,144,094	1,140,674	1,144,094
Preschool/Latchkey	-	-	1,187,402	1,099,868	1,187,402	1,099,868
Preschool Grant	-	-	21,817	21,718	21,817	21,718
Total Expenses	<u>40,015,627</u>	<u>39,152,038</u>	<u>2,349,893</u>	<u>2,265,680</u>	<u>42,365,520</u>	<u>41,417,718</u>
Change in Net Assets	4,969,703	3,220,957	(138,605)	(160,804)	4,831,098	3,060,153
Beginning Net Assets, Restated	<u>7,162,961</u>	<u>3,942,004</u>	<u>57,046</u>	<u>217,850</u>	<u>7,220,007</u>	<u>4,159,854</u>
Ending Net Assets	<u>\$12,132,664</u>	<u>\$ 7,162,961</u>	<u>\$ (81,559)</u>	<u>\$ 57,046</u>	<u>\$ 12,051,105</u>	<u>\$ 7,220,007</u>

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

**Governmental Activities**

The District's revenues are mainly from two sources. Property taxes levied for general, debt service and capital projects purposes, as well as grants and entitlements comprised 86% 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 59% of revenue for governmental activities for the District in fiscal year 2008.

Instruction comprises 56% of governmental program expenses. Instruction expense increased due to higher salaries and health insurance costs. Support services expenses were 32% of governmental program expenses. All other expenses including interest expense were 12% of governmental program expenses. Interest expense was attributable to the outstanding bond and borrowing for capital projects. The increase in grants and entitlements is the result of monies received for tangible personal property tax loss. The increase in other revenue is due to increased returns on investments.

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

Table 3  
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$22,307,624	\$21,789,736	\$21,534,097	\$21,102,270
Support Services:				
Pupil and Instructional Staff	3,124,907	2,840,459	2,525,370	2,364,413
School Administration, General Administration, Fiscal, and Business	4,655,658	4,426,541	4,638,024	4,426,541
Operation and Maintenance	2,457,696	3,700,859	2,440,062	3,686,211
Pupil Transportation	2,385,567	2,080,362	2,354,938	2,016,526
Central	230,662	145,693	230,662	145,693
Operation of Non-Instructional Services	769,130	545,449	187,231	3,477
Extracurricular Activities	1,254,622	1,250,640	1,131,500	1,139,617
Interest and Fiscal Charges	2,829,761	2,372,299	2,829,761	2,372,299
Total Expenses	<u>\$40,015,627</u>	<u>\$39,152,038</u>	<u>\$37,871,645</u>	<u>\$37,257,047</u>

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

---

**Business-Type Activities**

Business-type activities include the food service operation, preschool and latchkey operations, and preschool grants. These programs had revenues of \$2,211,288 and expenses of \$2,349,893 for fiscal year 2008. Net assets decreased \$138,605 due to an increase in expenses and less received for food service grants.

**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 \$72,258,694 and expenditures of \$76,494,320 (excluding transfers). The net change in fund balance for the year was a decrease of \$4,235,626.

The General Fund balance increased \$1,203,328 due to an increase in investment earnings, intergovernmental revenue, payments in lieu of taxes and overall revenues exceeding expenditures. The Debt Service Fund balance increased \$219,150 due to an increase in taxes and entitlements received from the State. The Building Capital Project Fund balance decreased \$7,436,244 due to the District spending monies on capital projects (high school/junior high additions and a new transportation building) and the repayment of outstanding notes issued during the previous fiscal year.

**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 year 2008, the District amended its general fund budget numerous times. 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 actual revenue was \$35,813,406, above original budget estimates of \$32,097,294. Of this \$3,716,112 difference, most was due to an underestimate for intergovernmental and interest revenue. Budget basis actual expenditures were \$34,282,342, below original budget estimates of \$36,109,793, due to a very conservative estimation of District salaries.

**Kings Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2008, the District had \$44,789,338 invested in land, construction-in-progress, land improvements, buildings, equipment and vehicles. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,074,466	\$ 3,074,466	\$ -	\$ -	\$ 3,074,466	\$ 3,074,466
Construction-in-progress	7,593,169	-	-	-	7,593,169	-
Land Improvements	1,525,209	1,632,960	1,762	2,120	1,526,971	1,635,080
Buildings and Improvements	31,457,750	32,225,367	60,882	57,198	31,518,632	32,282,565
Furniture and Equipment	388,950	203,010	74,586	73,149	463,536	276,159
Vehicles	749,794	406,479	-	-	749,794	406,479
<b>Total Capital Assets</b>	<b>\$ 44,789,338</b>	<b>\$ 37,542,282</b>	<b>\$ 137,230</b>	<b>\$ 132,467</b>	<b>\$ 44,926,568</b>	<b>\$ 37,674,749</b>

The increase in capital assets is due to construction being performed at fiscal year end on a new bus facility and adding space at the high school and junior high. The District also purchased several new buses during the fiscal year. The District continues its ongoing commitment to maintaining and improving its capital assets. For more information on the District's capital assets, see note 7 to the basic financial statements.

**Debt**

At June 30, 2008, the District had \$64,051,921 in bonds and capital leases payable, \$2,306,043 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5  
Outstanding Debt at June 30

	Governmental Activities	
	2008	2007
EPA Asbestos	\$ 58,953	\$ 73,692
School Improvement Bonds 1995	3,110,000	3,110,000
School Improvement Bonds 1998	318,182	873,182
School Improvement Bonds 1999	200,000	300,000
School Improvement Bonds 2005	18,375,918	18,578,036
School Improvement Bonds 2000	3,970,000	4,420,000
School Improvement Bonds 2003	6,045,000	6,695,000
School Improvement Bonds 2007	28,086,448	-
Bond Anticipation Note	-	27,200,000
Capital Lease: Athletic Stadium	3,887,420	4,044,062
<b>Total Outstanding Debt</b>	<b>\$ 64,051,921</b>	<b>\$ 65,293,972</b>

For more information on the District's debt obligations, see note 12 to the basic financial statements.

**Kings Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

---

**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.

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

All of the 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, 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, 1797 King Avenue, Kings Mills, Ohio 45034. Or email at [mmowery@kingslocal.k12.oh.us](mailto:mmowery@kingslocal.k12.oh.us).

**Kings Local School District**

*Statement of Net Assets*

*June 30, 2008*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 36,503,990	\$ 140,958	\$ 36,644,948
Cash and Cash Equivalents in Segregated Accounts	29,925		29,925
Inventory Held for Resale	-	10,300	10,300
Accrued Interest Receivable	36,967	-	36,967
Accounts Receivable	26,308	30,128	56,436
Internal Balances	887	(887)	-
Intergovernmental Receivable	364,052	9,151	373,203
Property Taxes Receivable	29,081,669	-	29,081,669
Deferred Charges	438,976	-	438,976
Nondepreciable Capital Assets	10,667,635	-	10,667,635
Depreciable Capital Assets, Net	34,121,703	137,230	34,258,933
<i>Total Assets</i>	<u>111,272,112</u>	<u>326,880</u>	<u>111,598,992</u>
<b>Liabilities</b>			
Accounts Payable	539,998	694	540,692
Accrued Wages and Benefits	3,568,439	193,008	3,761,447
Contracts Payable	1,568,131		1,568,131
Intergovernmental Payable	885,689	69,107	954,796
Accrued Interest Payable	210,501	-	210,501
Unearned Revenue	25,400,086	1,030	25,401,116
Long-Term Liabilities:			
Due Within One Year	2,306,043	4,648	2,310,691
Due In More Than One Year	64,660,561	139,952	64,800,513
<i>Total Liabilities</i>	<u>99,139,448</u>	<u>408,439</u>	<u>99,547,887</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,652,419	137,230	1,789,649
Restricted for:			
Debt Service	3,554,869	-	3,554,869
Special Revenue	260,297	-	260,297
Unrestricted (Deficit)	6,665,079	(218,789)	6,446,290
<i>Total Net Assets</i>	<u>\$ 12,132,664</u>	<u>\$ (81,559)</u>	<u>\$ 12,051,105</u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction:							
Regular	\$ 17,746,942	\$ 244,327	\$ 70,534	\$ -	\$ (17,432,081)	\$ -	\$ (17,432,081)
Special	3,910,269	-	458,469	-	(3,451,800)	-	(3,451,800)
Other	650,413	-	197	-	(650,216)	-	(650,216)
Support Services:							
Pupil	1,805,620	-	264,502	-	(1,541,118)	-	(1,541,118)
Instructional Staff	1,319,287	-	335,035	-	(984,252)	-	(984,252)
General Administration	85,957	-	-	-	(85,957)	-	(85,957)
School Administration	3,316,113	-	17,634	-	(3,298,479)	-	(3,298,479)
Fiscal	931,284	-	-	-	(931,284)	-	(931,284)
Business	322,304	-	-	-	(322,304)	-	(322,304)
Operation and Maintenance of Plant	2,457,696	-	17,634	-	(2,440,062)	-	(2,440,062)
Pupil Transportation	2,385,567	-	17,634	12,995	(2,354,938)	-	(2,354,938)
Central	230,662	-	-	-	(230,662)	-	(230,662)
Operation of Non-Instructional Services	769,130	-	581,899	-	(187,231)	-	(187,231)
Extracurricular Activities	1,254,622	123,122	-	-	(1,131,500)	-	(1,131,500)
Interest and Fiscal Charges	2,829,761	-	-	-	(2,829,761)	-	(2,829,761)
<i>Total Governmental Activities</i>	<u>40,015,627</u>	<u>367,449</u>	<u>1,763,538</u>	<u>12,995</u>	<u>(37,871,645)</u>	<u>-</u>	<u>(37,871,645)</u>
<b>Business-Type Activities</b>							
Food Service	1,140,674	815,581	238,000	-	-	(87,093)	(87,093)
Latchkey/ Preschool	1,187,402	1,105,477	-	-	-	(81,925)	(81,925)
Preschool Grant	21,817	-	22,849	-	-	1,032	1,032
<i>Total Business-Type Activities</i>	<u>2,349,893</u>	<u>1,921,058</u>	<u>260,849</u>	<u>-</u>	<u>-</u>	<u>(167,986)</u>	<u>(167,986)</u>
<b>Totals</b>	<u>\$ 42,365,520</u>	<u>\$ 2,288,507</u>	<u>\$ 2,024,387</u>	<u>\$ 12,995</u>	<u>\$ (37,871,645)</u>	<u>\$ (167,986)</u>	<u>\$ (38,039,631)</u>
<b>General Revenues</b>							
Property Taxes Levied for:							
General Purposes					21,276,005	-	21,276,005
Debt Service					4,291,493	-	4,291,493
Capital Outlay					1,053,773	-	1,053,773
Grants and Entitlements not Restricted to Specific Programs					12,245,711	-	12,245,711
Payment in Lieu of Taxes					1,328,948	-	1,328,948
Investment Earnings					2,042,833	1,555	2,044,388
Miscellaneous					602,585	27,826	630,411
<i>Total General Revenues</i>					<u>42,841,348</u>	<u>29,381</u>	<u>42,870,729</u>
Change in Net Assets					4,969,703	(138,605)	4,831,098
<i>Net Assets Beginning of Year, Restated</i>					<u>7,162,961</u>	<u>57,046</u>	<u>7,220,007</u>
<i>Net Assets End of Year</i>					<u>\$ 12,132,664</u>	<u>\$ (81,559)</u>	<u>\$ 12,051,105</u>

See accompanying notes to the basic financial statements

**Kings Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2008*

	<u>General</u>	<u>Debt Service</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash,					
Cash Equivalents and Investments	\$ 11,267,705	\$ 3,286,642	\$ 20,540,792	\$ 1,408,851	\$ 36,503,990
Cash and Cash Equivalents in Segregated Accounts	29,925				\$ 29,925
Accrued Interest Receivable	36,967	-	-	-	36,967
Accounts Receivable	6,087	-	17,566	2,655	26,308
Interfund Receivable	163,945	-	-	-	163,945
Intergovernmental Receivable	31,067	-	-	332,985	364,052
Property Taxes Receivable	<u>22,752,472</u>	<u>5,173,541</u>	<u>-</u>	<u>1,155,656</u>	<u>29,081,669</u>
<i>Total Assets</i>	<u>34,288,168</u>	<u>8,460,183</u>	<u>20,558,358</u>	<u>2,900,147</u>	<u>66,206,856</u>
<b>Liabilities</b>					
Accounts Payable	239,703	-	230,615	69,680	539,998
Contracts Payable	-	-	1,568,131	-	1,568,131
Accrued Wages	3,427,686	-	-	140,753	3,568,439
Intergovernmental Payable	885,689	-	-	-	885,689
Compensated Absences Payable	65,173	-	-	-	65,173
Interfund Payable	-	-	-	163,058	163,058
Deferred Revenue	<u>21,380,166</u>	<u>4,903,354</u>	<u>-</u>	<u>1,203,403</u>	<u>27,486,923</u>
<i>Total Liabilities</i>	<u>25,998,417</u>	<u>4,903,354</u>	<u>1,798,746</u>	<u>1,576,894</u>	<u>34,277,411</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	297,370	-	10,698,275	187,641	11,183,286
Reserved for Property Tax Advance	1,250,218	270,187	-	63,517	1,583,922
Unreserved:					
Undesignated, Reported in:					
General Fund	6,742,163	-	-	-	6,742,163
Special Revenue Funds	-	-	-	319,285	319,285
Debt Service Funds	-	3,286,642	-	-	3,286,642
Capital Projects Funds	-	-	8,061,337	752,810	8,814,147
<i>Total Fund Balances</i>	<u>8,289,751</u>	<u>3,556,829</u>	<u>18,759,612</u>	<u>1,323,253</u>	<u>31,929,445</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 34,288,168</u>	<u>\$ 8,460,183</u>	<u>\$ 20,558,358</u>	<u>\$ 2,900,147</u>	<u>\$ 66,206,856</u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

Total Governmental Funds Balances		\$ 31,929,445
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		44,789,338
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:		
Property Taxes		1,945,480
Interest		30,093
Intergovernmental		111,264
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds/Loans Payable	(60,164,501)	
Capital Leases	(3,887,420)	
Compensated Absences	(2,849,510)	
Accrued Interest Payable	(210,501)	
Total	(67,111,932)	(67,111,932)
Deferred bond issuance costs associated with long-term liabilities are not reported in the funds.		438,976
<i>Net Assets of Governmental Activities</i>		\$ 12,132,664

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 20,872,264	\$ 4,154,406	\$ -	\$ 1,033,969	\$ 26,060,639
Intergovernmental	11,592,919	499,536	-	1,935,028	14,027,483
Investment Earnings	1,211,122	-	763,032	38,586	2,012,740
Tuition and Fees	244,327	-	-	-	244,327
Extracurricular Activities	-	-	-	123,122	123,122
Payment in Lieu of Taxes	1,101,350	-	-	-	1,101,350
Miscellaneous	151,910	-	-	445,138	597,048
<i>Total Revenues</i>	<u>35,173,892</u>	<u>4,653,942</u>	<u>763,032</u>	<u>3,575,843</u>	<u>44,166,709</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	16,453,004	-	51,484	618,623	17,123,111
Special	3,384,226	-	-	468,498	3,852,724
Other	648,711	-	-	-	648,711
Support Services:					
Pupil	1,550,558	-	-	273,705	1,824,263
Instructional Staff	997,931	-	-	334,200	1,332,131
General Administration	85,957	-	-	-	85,957
School Administration	3,115,933	-	-	12,835	3,128,768
Fiscal	828,402	68,605	20,400	17,626	935,033
Business	291,632	-	-	-	291,632
Operation and Maintenance of Plant	3,609,448	-	194,621	391,915	4,195,984
Pupil Transportation	1,968,443	-	302,227	17,670	2,288,340
Central	230,662	-	-	-	230,662
Operation of Non-Instructional Services	154,424	-	22,232	588,007	764,663
Extracurricular Activities	651,233	-	-	490,105	1,141,338
Capital Outlay	-	-	6,271,445	149,987	6,421,432
Debt Service:					
Principal Retirement	-	1,915,000	27,200,000	171,382	29,286,382
Interest and Fiscal Charges	-	2,451,187	233,316	258,686	2,943,189
<i>Total Expenditures</i>	<u>33,970,564</u>	<u>4,434,792</u>	<u>34,295,725</u>	<u>3,793,239</u>	<u>76,494,320</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,203,328</u>	<u>219,150</u>	<u>(33,532,693)</u>	<u>(217,396)</u>	<u>(32,327,611)</u>
<b>Other Financing Sources and Uses</b>					
Procees from Sale of Capital Assets	-	-	-	5,537	5,537
Proceeds from Sale of Bonds	-	-	27,200,000	-	27,200,000
Premium on Bonds Issued	-	-	886,448	-	886,448
Transfers In	-	-	-	1,989,999	1,989,999
Transfers Out	-	-	(1,989,999)	-	(1,989,999)
<i>Total Other Financing Sources</i>	<u>-</u>	<u>-</u>	<u>26,096,449</u>	<u>1,995,536</u>	<u>28,091,985</u>
<i>Net Change in Fund Balances</i>	1,203,328	219,150	(7,436,244)	1,778,140	(4,235,626)
<i>Fund Balances</i>					
<i>Beginning of Year</i>	<u>7,086,423</u>	<u>3,337,679</u>	<u>26,195,856</u>	<u>(454,887)</u>	<u>36,165,071</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,289,751</u>	<u>\$ 3,556,829</u>	<u>\$ 18,759,612</u>	<u>\$ 1,323,253</u>	<u>\$ 31,929,445</u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$ (4,235,626)

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 of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	8,400,220	
Depreciation expense	(1,153,164)	
Total	7,247,056	7,247,056

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Interest	30,093	
Grants	(5,239)	
Tax abatements	227,598	
Delinquent Property Taxes	560,632	
Total	813,084	813,084

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. (27,200,000)

Repayment of bond principal is an expenditure in the governmental funds and a reduction of liabilities in the statement of net assets. 29,286,382

Interest expense in the statement of activities differs from the amount reported in governmental funds for several reasons. Additional accrued interest was calculated for bonds and notes payable and the difference arising from the premium and bond issuance costs and accretion on capital appreciation bonds.

Accrued Interest and Accreted Interest	(142,149)	
Bond Premium	(886,448)	
Premium	103,428	
Deferred Issuance Costs	166,887	
Total	(758,282)	(758,282)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported when due.

Compensated Absences	(182,911)	
Total	(182,911)	(182,911)

Change in Net Assets of Governmental Activities \$ 4,969,703

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Net Assets*  
*Proprietary Funds*  
*June 30, 2008*

	Other Enterprise Funds
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 140,958
<i>Receivables:</i>	
Intergovernmental	9,151
Accounts	30,128
Inventory Held for Resale	10,300
<i>Total Current Assets</i>	190,537
<i>Noncurrent Assets:</i>	
Depreciable Capital Assets	137,230
<i>Total Noncurrent Assets</i>	137,230
<i>Total Assets</i>	327,767
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	694
Accrued Wages and Benefits	193,008
Intergovernmental Payable	69,107
Compensated Absences Payable	4,648
Interfund Payable	887
Unearned Revenue	1,030
<i>Total Current Liabilities</i>	269,374
<i>Long-Term Liabilities:</i>	
Compensated Absences Payable	139,952
<i>Total Long-Term Liabilities</i>	139,952
<i>Total Liabilities</i>	409,326
<b>Net Assets</b>	
Invested In Capital Assets	137,230
Unrestricted (Deficit)	(218,789)
<i>Total Net Assets</i>	\$ (81,559)

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2008*

---

	<u>Other Enterprise Funds</u>
<b>Operating Revenues</b>	
Tuition	\$ 1,105,477
Charges for Services	815,581
Miscellaneous	<u>27,876</u>
<i>Total Operating Revenues</i>	<u>1,948,934</u>
<b>Operating Expenses</b>	
Salaries	1,217,071
Fringe Benefits	606,088
Purchased Services	6,410
Materials and Supplies	469,812
Depreciation	13,779
Other	<u>36,783</u>
<i>Total Operating Expenses</i>	<u>2,349,943</u>
<i>Operating Income (Loss)</i>	<u>(401,009)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Donated Commodities	37,259
Investment Earnings	1,555
Operating Grants	<u>223,590</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>262,404</u>
<i>Change in Net Assets</i>	(138,605)
<i>Net Assets Beginning of Year</i>	<u>57,046</u>
<i>Net Assets End of Year</i>	<u><u>\$ (81,559)</u></u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2008

	Other Enterprise Funds
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 1,918,776
Cash Payments to Employees for Services	(1,159,456)
Cash Payments for Employee Benefits	(620,105)
Cash Payments for Goods and Services	(481,732)
Other Operating Revenue	9,283
<i>Net Cash Provided by (Used in) Operating Activities</i>	<i>(333,234)</i>
<b>Cash Flows from Noncapital Financing Activities</b>	
Donated Commodities	37,259
Operating Grants Received	255,833
Short Term Loans Received from Other Funds	887
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	<i>293,979</i>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	1,555
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(37,700)</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>178,658</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>140,958</i>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating Gain (Loss)	(419,551)
Adjustments:	
Depreciation	13,779
(Increase) Decrease in Assets:	
Inventory Held for Resale	6,761
Accounts Receivable	(2,281)
Increase (Decrease) in Liabilities:	
Accounts Payable	436
Accrued Wages and Benefits	(497)
Compensated Absences Payable	67,821
Intergovernmental Payable	2,168
Deferred Revenue	(1,870)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<i>\$ (333,234)</i>

**Noncash capital and financing activities**

The Building Fund purchased capital assets in the amount of \$18,542 for the Food Service Fund.

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2008*

---

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 52,072</u>
<i>Total Assets</i>	<u><u>52,072</u></u>
<b>Liabilities</b>	
Accounts Payable	5,100
Due to Students	<u>46,972</u>
<i>Total Liabilities</i>	<u><u>\$ 52,072</u></u>

See accompanying notes to the basic financial statements

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 1 - Description of the District and Reporting Entity**

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

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

**Reporting Entity**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool, latchkey and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the District.

The 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. See Notes 19 and 20 for more information about these organizations.

**Note 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. The District does not apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its business-type activities and proprietary activities. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

The statement of net assets presents the financial condition of the governmental and business-type activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function program of the governmental activities of the District. 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 grants 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**

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

**B. 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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund – The Debt Service Fund is used to account for 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.

Building Fund – The Building Fund is a fund provided to account for all transactions related to the acquiring or constructing of capital facilities as authorized by Section 5705.09, Revised Code.

The other governmental funds of the District account for grants and other resources and capital projects of the District whose uses are restricted to a particular purpose.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Proprietary Fund**

The proprietary fund focuses on the determination of the 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 funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**Fiduciary Funds**

Fiduciary fund reporting focuses on net 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 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 custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund, which is used to account for student managed activities.

**C. Measurement Focus**

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

***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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and 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.

**D. 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. The Food Service, Preschool Grant, and Latchkey/Preschool enterprise funds also use the accrual basis of accounting. Differences in the accrual basis and 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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. 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 fiscal 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 fiscal year end: property taxes available as an advance, grants and investment earnings.

**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, 2008, but which were levied to finance fiscal year 2009 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.

**Expenditures/Expenses**

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 on 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 governmental funds.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds, except cash and cash equivalents in segregated accounts, are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents, and Investments" on the financial statements.

During fiscal year 2008, the District's investments were limited to US Agency securities, money market funds, the State Treasury Asset Reserve of Ohio (STAR Ohio), and commercial paper notes.

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, 2008.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," requires that investments, with certain exceptions be recorded at their fair value and the changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2008 at fair value.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$1,211,122.

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

**F. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of the Food Service enterprise fund are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories in the enterprise fund consist of donated and purchased food and are expensed when used.

**G. 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 on the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. 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 capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

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

**H. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Interfund receivables and payables within governmental activities and within business-type activities have been eliminated in the government-wide statement of net assets; any residual balances outstanding between the governmental activities and business-type activities are reported as "internal balances."

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

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 probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after fifteen years of service.

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

For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In the proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

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

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**K. 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. Of the District's \$4,304,745 of restricted net assets, none is restricted by enabling legislation.

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

**L. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**M. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. 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 and the preschool and latchkey programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**N. Interfund Transactions**

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 the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Transfers within governmental and business-type activities are eliminated on the statement of activities. The District transferred monies from the building fund to the capital improvement fund, so that the note payment would more closely follow the capital expenditures for fiscal year 2008.

**O. Estimates**

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

**Note 3 – Prior Period Adjustment**

A prior period adjustment was necessary to restate the School District's unearned revenue at June 30, 2007. The District identified an error in the prior year unearned revenue balance. The following is the effect on net assets of governmental type activities.

	Governmental Activities
Net assets – June 30, 2007	<u>\$8,627,593</u>
Unearned revenue adjustment	(1,464,632)
Net assets – June 30, 2007, restated	<u>\$7,162,961</u>

**Note 4 – Cash and Cash Equivalents and Investments**

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

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

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

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 4 – Cash and Cash Equivalents and Investments (continued)**

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

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

Interim monies may be invested in the following securities:

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

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 40, "Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3."

**Deposits**

At fiscal year end, the bank balance of the District's deposits was \$1,406,571. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

---

**Note 4 – Cash and Cash Equivalents and Investments (continued)**

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

**Investments**

At June 30, 2008, the District’s investment balance was as follows:

Description	Weighted Average Maturity (in years)	Fair Value
STAR Ohio	N/A	\$22,617,316
US Agency Notes	.9	2,292,980
US Agency Discount Notes	.6	1,353,160
Commercial Paper	.3	10,359,215
US Money Market	N/A	24,745
Total		\$ 36,647,416

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Standard and Poor’s rated the District’s investment in STAR Ohio AAAm. The School District’s investments in US Agency Notes and Discount Notes were rated AAA by Standard & Poor’s and Aaa by Moody’s. The School District’s investments in the US Money Market Funds were rated AAA by Standard & Poor’s. Investment in commercial paper were rated A-1+ by Standard and Poor’s. The Board has no policy on credit risk.

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

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

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District has invested 61.7% in STAR Ohio, 6.2% in US Agency Notes, 3.7% in US Agency Discount Notes, 28.3% in Commercial Paper and 0.1% in US money market accounts. The District’s investment policy does not address this risk.

**Note 5 - Property Taxes**

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

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 5 - Property Taxes (continued)**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2007, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The District receives property taxes from Warren County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and tangible personal property taxes which were measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2008 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amounts available as advances were recognized as revenue.

The amounts available as advances at June 30, 2008, were \$1,250,218 in the General Fund, \$270,187 in the Debt Service Fund and \$63,517 in the Permanent Improvement Fund.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$712,739,000	92%	\$727,989,710	95%
Public Utility Personal	15,421,270	2%	13,885,250	2%
Tangible Personal	48,835,800	6%	25,315,455	3%
Total Assessed Value	<u>\$776,996,070</u>	<u>100%</u>	<u>\$767,190,415</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Value	\$68.03		\$70.23	

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

**Note 6 - Receivables**

Receivables at June 30, 2008, consisted of taxes, accounts (rent and commissions), interest, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**Note 7 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated:</i>				
Land	\$3,074,466	\$0	\$0	\$3,074,466
Construction-in-progress	0	7,593,169	0	7,593,169
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	4,027,992	25,023	0	4,053,015
Buildings and Improvements	45,071,824	47,564	0	45,119,388
Vehicles	2,072,383	476,397	(29,941)	2,518,839
Equipment	496,122	258,067	0	754,189
Totals at Historical Cost	<u>54,742,787</u>	<u>8,400,220</u>	<u>(29,941)</u>	<u>63,113,066</u>
Less Accumulated Depreciation:				
Land Improvements	(2,395,032)	(132,774)	0	(2,527,806)
Buildings and Improvements	(12,846,457)	(815,181)	0	(13,661,638)
Vehicles	(1,665,904)	(133,082)	29,941	(1,769,045)
Equipment	(293,112)	(72,127)	0	(365,239)
Total Accumulated Depreciation	<u>(17,200,505)</u>	<u>(1,153,164)</u>	<u>29,941</u>	<u>(18,323,728)</u>
Governmental Activities Capital Assets, Net	<u>\$37,542,282</u>	<u>\$7,247,056</u>	<u>\$0</u>	<u>\$44,789,338</u>
	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
<b>Business-Type Activities</b>				
<i>Capital Assets being depreciated:</i>				
Land Improvements	\$7,708	\$0	\$0	\$7,708
Buildings and Improvements	77,471	5,599	0	83,070
Equipment	241,400	12,943	0	254,343
Totals at Historical Cost	<u>326,579</u>	<u>18,542</u>	<u>0</u>	<u>345,121</u>
Less Accumulated Depreciation:				
Land Improvements	(5,588)	(358)	0	(5,946)
Buildings & Improvements	(20,273)	(1,915)	0	(22,188)
Equipment	(168,251)	(11,506)	0	(179,757)
Less Accumulated Depreciation	<u>(194,112)</u>	<u>(13,779)</u>	<u>0</u>	<u>(207,891)</u>
Business-Type Activities Capital Assets, Net	<u>\$132,467</u>	<u>\$4,763</u>	<u>\$0</u>	<u>\$137,230</u>

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 7 - Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular	\$724,784	
Support Services:		
Instructional Staff	36,118	
Administration	11,543	
Operation and Maintenance of Plant	149,916	
Pupil Transportation	119,987	
Food Service Operations	970	
Community Services	441	
Extracurricular	109,405	
Total Depreciation Expense	\$1,153,164	

**Note 8 - Interfund Assets/Liabilities**

Interfund transactions at June 30, 2008, consisted of the following:

Fund	Interfund Receivable	Interfund Payable
General	\$163,945	\$0
<i>Non-Major Governmental Funds:</i>		
IDEA – B	0	118,763
Title I	0	12,095
Title V	0	3,826
Improving Teacher Quality	0	28,271
Technology	0	103
<i>Non-Major Proprietary Funds:</i>		
Early Childhood Special Education		887
<i>Total – All Funds</i>	\$163,945	\$163,945

These amounts are represented as “Interfund Receivables/Payables” on the balance sheet. The General Fund advanced monies to provide funds with operating cash balances. These advances were outstanding at fiscal year end and are intended to be paid back in the next fiscal year.

**Note 9 - Defined Benefit Pension Plans**

**A. State Teachers Retirement System**

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

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 9 - Defined Benefit Pension Plans (continued)**

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 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.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefits. 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.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations for fiscal year 2007. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$2,377,752, \$2,331,324 and \$2,193,678, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006. The unpaid contribution for fiscal year 2008 is \$406,288.

**B. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The 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 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations for fiscal year 2008. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$814,666, \$852,792 and \$761,898, respectively; 64 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. The unpaid contribution for fiscal year 2008 is \$294,467.

**Note 10 - Postemployment Benefits**

Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

**Note 10 - Postemployment Benefits (continued)**

Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. For the fiscal years ended June 30, 2008, 2007 and 2006 the District's contributions to postemployment health care were \$169,839, \$166,523 and \$156,691, respectively.

SERS administers two post-employment benefit plans, the Medicare Part B Plan and the Health Care Plan as permitted by Ohio Revised Code Sections 3309.69 and 3309.375. The Medicare Part B Plan reimburses for Medicare Part B premiums paid by eligible retirees. The Health Care Plan provides health care and prescription drug plans administered by two third-party administrators. The Retirement Board establishes rules for premiums paid by retirees for health care coverage and varies depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The Medicare Part B premium reimbursement plan reimburses eligible retirees for the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2007 (most recent information available) was \$93.50. SERS' reimbursement to retirees was \$45.50. The Retirement Board, with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2007 (most recent information available) the actuarially required allocation was .68%. For the fiscal year ended June 30, 2008, the District's contributions to Medicare Part B were \$39,569, which equaled the required contributions for the year.

The Health Care Plan is funded through employer contributions. Each year after allocation for required benefits the Retirement Board allocates the remainder of the employers' 14% contribution. At June 30, 2007 (the most recent information available) the health care allocation was 3.32%. The actuarially required contribution (ARC), as of December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

For fiscal years ended June 30, 2008, 2007 and 2006 District contributions to the Health Care Plan, including the surcharge, were \$193,192, \$208,325, and \$186,665, respectively.

**Note 11 - Employee Benefits**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety-five days for certified employees, twelve days beyond contract year for administrators, and two hundred five days for classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of thirty-eight days.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

**Note 11 - Employee Benefits (continued)**

**B. Health Care Benefits**

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

**Note 12 - Long-Term Obligations**

Changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Maturity Dates	Balance At July 1, 2007	Additions	Reductions	Balance At June 30, 2008	Amounts Due in One Year
Governmental Activities:						
General Obligation Bonds and Loans Payable:						
School Improvement 1995 5.86%	12/1/2021	\$3,110,000	\$0	\$0	\$3,110,000	\$0
School Improvement 1998 4.45%	12/1/2009	873,182	0	(555,000)	318,182	168,536
EPA Asbestos Loan 1993 0.00%	5/30/2013	73,692	0	(14,739)	58,953	14,739
School Improvement 1999 4.75%	12/1/2024	300,000	0	(100,000)	200,000	100,000
School Improvement 2000 5.47%	12/1/2025	4,420,000	0	(450,000)	3,970,000	520,000
School Improvement 2003 4.25%	12/1/2021	6,695,000	0	(650,000)	6,045,000	720,000
School Improvement 2005 4.30%						
Term and Serial Bonds	12/1/2025	16,180,000	0	(160,000)	16,020,000	170,000
Premium		1,965,136	0	(103,428)	1,861,708	0
	12/1/2010-					
Capital Appreciation Bonds	12/1/2015	120,000	0	0	120,000	0
Interest Accretion		312,900	61,310	0	374,210	0
Total School Improvement 2005		18,578,036	61,310	(263,428)	18,375,918	170,000
School Improvement 2007						
Term and Serial Bonds 4.125%-5%	12/1/2033	0	27,200,000	0	27,200,000	250,000
Premium		0	886,448	0	886,448	0
Total School Improvement 2007		0	28,086,448	0	28,086,448	250,000
Total General Obligation Bonds		34,049,910	28,147,758	(2,033,167)	60,164,501	1,943,275
Bond Anticipation Notes 6.00%		27,200,000	0	(27,200,000)	0	0
Compensated Absences		2,770,519	315,543	(171,379)	2,914,683	199,462
Capital Leases 4.13% - 4.27%		4,044,062	0	(156,642)	3,887,420	163,306
Total Governmental Activities		\$68,064,491	\$28,463,301	(\$29,561,188)	\$66,966,604	\$2,306,043

	Balance At July 1, 2007	Additions	Reductions	Balance At June 30, 2008	Amounts Due in One Year
Business-Type Activities:					
Compensated Absences	\$76,779	\$72,712	(\$4,891)	\$144,600	\$4,648

**School Improvement Bonds** – On various occasions, the District issued general obligation bonds for the purpose of additions and improvements to school buildings in the District. The maturity dates of the bonds range from 2001 to 2034. The interest rates vary from 2.00% to 7.60%. The bonds are being paid from the debt service fund.

**EPA Asbestos Loan** – On May 18, 1993, the District obtained a loan in the amount of \$265,298 for the purpose of providing asbestos removal for the 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.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 12 - Long-Term Obligations (continued)**

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital lease obligations will be paid from the permanent improvement fund.

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

<u>Fiscal Year Ending</u>	<u>GO Bonds and Loans Payable*</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2009	1,943,275	3,172,234	5,115,509
2010	2,284,383	3,116,095	5,400,479
2011	919,738	2,827,501	3,747,239
2012	1,169,739	2,707,443	3,877,182
2013	1,345,000	2,643,784	3,988,784
2014 – 2018	11,300,000	12,146,321	23,446,321
2019 – 2023	15,135,000	9,734,563	24,869,563
2024 – 2028	12,220,000	3,982,250	16,202,250
2029 - 2033	8,710,000	1,635,000	10,345,000
2034	2,015,000	50,375	2,065,375
Totals	<u>\$57,042,135</u>	<u>\$42,015,566</u>	<u>\$99,057,702</u>

\*The total principal balance due in this schedule will not agree to the schedule of changes in long-term debt obligations on page 36 due to annual accreted interest additions and the premium, which will be amortized over the life of the debt.

**Note 13 – Advanced Refunding**

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

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

The capital appreciation bonds will mature in fiscal years 2010 through 2015. The final maturity amount of the bonds is \$1,740,000.

**Note 14– Capital Leases**

The District entered into two lease-purchase agreements on December 23, 2004 and March 31, 2005 for the construction of a new athletic stadium. The District is leasing the improvements from Fifth Third Bank. The District will retain title to the project during the lease term. Fifth Third Bank deposited \$4,355,000 (less \$15,000 issuance costs) with the District for the construction. The District will make annual principal payments with monthly interest payments to Fifth Third Bank. Interest rates are 4.13% and 4.27%, respectively. The leases are renewable annually and expire in fiscal year 2015. The intention of the District is to renew the lease annually. The agreements are recorded on the statement of net assets as long term liabilities. Principal payments of \$156,642 were made during fiscal year 2008. The principal amount owed on the leases at year end is \$3,887,420.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

**Note 14– Capital Leases (continued)**

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

Fiscal Year Ending	Capital Leases
2009	\$325,330
2010	325,330
2011	325,330
2012	325,330
2013	325,330
Thereafter	3,215,354
Total	4,842,004
Less: Amount Representing Interest	(954,584)
Present Value of Minimum Lease Payments	\$3,887,420

**Note 15 – Tax Anticipation Notes**

A summary of the Tax Anticipation Note transactions for the fiscal year ended June 30, 2008 follows:

<u>Issue</u>	<u>Interest</u> <u>Rate</u>	<u>Notes</u> <u>Issue Date</u>	<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Amount</u>	<u>Retired</u> <u>in 2008</u>	<u>Outstanding</u> <u>6/30/2008</u>
TAN	4.75%	7/27/2006	7/27/2007	\$1,900,000	\$1,900,000	\$0

The District issued \$1,900,000 in Tax Anticipation Notes during fiscal year 2007. The Notes issued are to be used for the purpose of paying for the construction, improvements, renovations and additions to school facilities.

**Note 16 – Fund Balance Reserves For Set-Asides**

The 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years.

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.

	Textbooks	Capital Acquisition
Set-aside Reserve Balance June 30, 2007	(\$772,682)	\$0
Current Year Set Aside Requirement	574,760	574,760
Current Year Offset	0	0
Qualifying Expenditures	(936,134)	(6,390,093)
Set-aside Reserve Balance June 30, 2008	(1,134,056)	(5,815,333)
Restricted Cash as of June 30, 2008	\$0	\$0
Amount Carried Forward to Fiscal Year 2008	(\$1,134,056)	\$0

Qualifying disbursements and carryover from prior years for textbooks totaled \$1,708,816, resulting in \$1,134,056 for carryover to offset textbook requirements in future years. The reserve balance in the capital acquisition cannot be carried forward.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 17 - Contingencies**

**A. Grants**

The District receives significant financial assistance from federal and state 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 are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

**B. 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.

**Note 18 – Risk Management**

The 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 2008, the District contracted with Indiana Insurance for fleet insurance and liability insurance. Property is also protected by Indiana Insurance.

Coverage provided by Indiana Insurance is as follows:

Building and Contents – replacement cost (\$2,500 deductible)	\$58,850,683
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 has been no significant reduction in coverage since last year.

**Workers' Compensation**

For fiscal year 2008, the 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 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 ensures 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.

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 19 – Jointly Governed Organizations**

*Southwest Ohio Computer Association* – The 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 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 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.

**Note 20 – Insurance Purchasing Pool**

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

**Kings Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**Note 21 – Accountability and Compliance**

The following funds had deficit fund balances/net assets at June 30, 2008:

Nonmajor Funds:

Special Revenue –		
Title I	\$20,318	
Enterprise –		
Food Service	11,905	
Latchkey/Preschool	79,346	

The general fund is liable for any deficits in these funds and provides advances when cash is required, not when accruals occur. The deficit fund balances resulted from the application of generally accepted accounting principles.

**Note 22 – Construction Commitments**

The School District contracted for the construction of a bus facility and remodeling of the High School and Junior High School. The projects began in the 2008 fiscal year and will be completed in fiscal year 2009. The significant outstanding construction commitments at June 30, 2008 are as follows:

<u>Contractor</u>	<u>Total Contract</u> <u>Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/2008</u>
Seyferth Building Company	\$1,271,957	\$598,330	\$673,627
T.J. Dyer Company	53,698	22,827	30,871
C.J. Hughes & Sons Plumbing, Inc	119,400	79,589	39,811
Reddy Electric Co	140,012	90,281	49,731
Linc Mechanical	2,755,782	2,530,882	224,900
DAG Construction Company	6,878,927	353,900	6,525,027
Feldkamp Enterprises	1,060,200	0	1,060,200
Gil Ruehl Plumbing	422,782	9,480	413,302
Wasserstrom Company	381,257	0	381,257
Beacon Electric Company	1,545,000	0	1,545,000
Cincy Fire Protection, Inc.	46,500	5,450	41,050
Turnbull-Wahlert Construction, Inc	464,877	141,839	323,038
Zero Breese Company	128,883	103,750	25,133

**Note 23 – Changes in Accounting Principles**

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*. The District has determined that the adoption of this statement did not have an impact on the District’s financial statements; however, note disclosures related to postemployment benefits have been modified.

The following other pronouncements have been issued by the GASB and have been adopted by the District; however, the District has not incurred any of the transactions described below and as a result there has been no impact on the financial statements or note disclosures for the current period:

- In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.
- In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*. The information is not yet available from the retirement systems for the implementation of GASB 50.

**Kings Local School District**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP Basis) and Actual**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes	21,008,062	21,580,301	21,452,953	(127,348)
Intergovernmental	9,710,446	11,605,516	11,592,919	(12,597)
Interest	300,000	1,250,000	1,245,685	(4,315)
Tuition and Fees	280,127	295,127	245,851	(49,276)
Rentals	160,000	160,000	93,491	(66,509)
Miscellaneous	638,659	842,113	1,182,507	340,394
<b>Total Revenues</b>	<b>32,097,294</b>	<b>35,733,057</b>	<b>35,813,406</b>	<b>80,349</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	30,980,074	29,593,217	16,568,528	(13,024,689)
Special	169,045	420,875	3,337,070	2,916,195
Other	375,323	525,323	650,033	124,710
Support Services:				
Pupils	112,743	79,958	1,541,507	1,461,549
Instructional Staff	149,688	144,238	999,904	855,666
Board of Education	103,219	103,219	82,362	(20,857)
Administration	957,705	931,424	3,141,097	2,209,673
Fiscal	467,766	473,766	860,793	387,027
Business	111,782	70,282	240,710	170,428
Operation and Maintenance of Plant	1,967,523	1,978,856	3,674,861	1,696,005
Pupil Transportation	474,912	580,703	2,117,313	1,536,610
Central	188,444	225,246	251,748	26,502
Operation of Non-Instructional Services	314	314	151,612	151,298
Extracurricular Activities	51,255	60,007	664,804	604,797
<b>Total Expenditures</b>	<b>36,109,793</b>	<b>35,187,428</b>	<b>34,282,342</b>	<b>905,086</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,012,499)</b>	<b>545,629</b>	<b>1,531,064</b>	<b>985,435</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Advances In	15,000	42,847	42,805	(42)
Refund of Prior Year Expenditures	-	-	32,258	32,258
Advances Out	(15,000)	(15,000)	(163,945)	(148,945)
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>27,847</b>	<b>(88,882)</b>	<b>(116,729)</b>
<b>Net Change in Fund Balances</b>	<b>(4,012,499)</b>	<b>573,476</b>	<b>1,442,182</b>	<b>868,706</b>
Fund Balance (Deficit) at Beginning of Year	8,874,719	8,874,719	8,874,719	
Prior Year Encumbrances Appropriated	406,204	406,204	406,204	
<b>Fund Balance (Deficit) at End of Year</b>	<b>5,256,855</b>	<b>9,842,830</b>	<b>10,711,536</b>	<b>868,706</b>

See accompanying notes to required supplementary information

**Kings Local School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2008*

---

**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 the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedule 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 schedule reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2008.

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 the 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual is 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 (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

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

Net Change in Fund Balance	General
GAAP basis	\$1,203,328
Net Adjustment for Revenue Accruals	671,772
Net Adjustment for Expenditure Accruals	225,290
Encumbrances	(537,068)
Net Adjustment for Advances	(121,140)
Budget Basis	\$1,442,182

**Kings Local School District**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u> (Passed through Ohio Department of Education)				
Food Donation	n/a	10.550	\$ 37,259	37,259
Nutrition Cluster:				
School Breakfast Program	05PU-2008	10.553	29,979	29,979
National School Lunch Program	LLP4-2008	10.555	200,733	200,733
Nutrition Cluster Total			<u>230,712</u>	<u>230,712</u>
Total U.S. Department of Agriculture			<u>267,971</u>	<u>267,971</u>
<u>U.S. Department of Education:</u> (Passed through Ohio Department of Education)				
Title I Grants to Local Educational Agencies	C1S1-2007	84.010	19,193	13,402
Title I Grants to Local Educational Agencies	C1S1-2008	84.010	144,589	153,957
			<u>163,782</u>	<u>167,359</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2007	84.027	85,495	92,322
Special Education - Grants to States	6BSF-2008	84.027	685,649	760,682
Special Education - Preschool Grants	PGS1-2007	84.173	-	860
Special Education - Preschool Grants	PGS1-2008	84.173	19,072	20,958
Special Education Cluster Total			<u>790,216</u>	<u>874,822</u>
Safe and Drug-Free Schools and Communities	DRS1-2007	84.186	6,714	7,521
State Grants for Innovative Programs	C2S1-2007	84.298	5,051	-
State Grants for Innovative Programs	C2S1-2008	84.298	5,734	5,955
			<u>10,785</u>	<u>5,955</u>
Education Technology State Grants	TJS1-2007	84.318	-	80
Education Technology State Grants	TJS1-2008	84.318	1,101	1,003
			<u>1,101</u>	<u>1,083</u>
English Language Acquisition Grants	T3S1-2007	84.365	5,685	-
English Language Acquisition Grants	T3S1-2008	84.365	10,500	11,000
			<u>16,185</u>	<u>11,000</u>
Improving Teacher Quality State Grants	TRS1-2007	84.367	18,350	15,782
Improving Teacher Quality State Grants	TRS1-2008	84.367	50,517	76,414
			<u>68,867</u>	<u>92,196</u>
Total U.S. Department of Education			<u>1,057,650</u>	<u>1,159,936</u>
Total Federal Awards			<u>\$ 1,325,621</u>	<u>1,427,907</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE C - NUTRITION CLUSTER**

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Kings Local School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Kings Local School District (the "School District") as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 30, 2008. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 30, 2008.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School District's management, the Board of Education, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Cincinnati, Ohio  
December 30, 2008

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

To the Board of Education  
Kings Local School District:

**Compliance**

We have audited the compliance of the Kings Local School District (the "School 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 each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

**Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the School District's management, the Board of Education, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 30, 2008

**Kings Local School District**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2008

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to the financial statements noted?	none

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none

Type of auditors’ report issued on compliance for major programs: unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? no

Identification of major programs:

*Special Education Cluster:*  
*CFDA 84.027 – Special Education – Grants to States*  
*CFDA 84.173 – Special Education – Preschool Grants*

Dollar threshold to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? no

## **Section II – Financial Statement Findings**

### **Finding 2008-1 – Audit Adjustments**

During the course of our audit, we identified misstatements in the financial statements for the year under audit that were not initially identified by the School District's internal controls over financial reporting. Throughout the year, the School District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustments to taxes receivable, capital assets, deferred revenue, long-term liabilities, and net assets were necessary to correct errors in the School District's conversion process.

*Views of Responsible Officials: Management concurs with the finding.*

## **Section III – Federal Award Findings and Questioned Costs**

None.

**Kings Local School District**  
Schedule of Prior Audit Findings  
Year Ended June 30, 2008

**2007-001 – Audit Adjustments**

During the course of the FY2007 audit, misstatements were identified and adjusted to correct errors in the financial statements related to the conversion of the School District's financial statements to generally accepted accounting principles.

**Status:** Repeated as Finding 2008-1



**Mary Taylor, CPA**  
Auditor of State

**KINGS LOCAL SCHOOL DISTRICT**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 17, 2009**