

KINGS LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2009

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, 2008 through June 30, 2009. 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 26, 2010

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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, 2009, 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 these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Kings Local School District as of June 30, 2009, 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 29, 2009, 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.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 10 and 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 the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose 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 and is not a required part of the basic financial statements of the Kings Local 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, Hachett & Co.

Cincinnati, Ohio
December 29, 2009

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(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, 2009. 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 2009 are as follows :

- In total, net assets decreased \$682,095. Net assets of governmental activities decreased \$970,820 which represents an 8% decrease from 2008. Net assets of business-type activities increased \$288,725 or 354% from 2008.
- Total assets of governmental activities decreased by \$8,391,636 as capital assets increased \$8,616,764 and cash, cash equivalents, and investments decreased \$14,115,275.
- General revenues accounted for \$43,320,030 in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,203,166 or 9% of total revenues of \$47,523,196.
- The District had \$48,205,391 in expenses related to governmental and business-type activities; only \$4,203,166 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$43,320,030 were also used to provide for these programs.
- As a major fund, the General Fund had \$36,184,734 in revenues and \$36,719,691 in expenditures. The General Fund's balance decreased from \$8,289,751 to \$7,754,794. The other major funds, Debt Service and Building Capital Project Funds, had \$5,744,384 and \$12,882 in revenues and \$5,122,046 and \$13,111,422 in expenditures, respectively. The Debt Service fund balance increased from \$3,556,829 to \$4,179,167. The Building Capital Project fund balance decreased from \$18,759,612 to \$5,661,072.
- Net assets for business-type activities increased by \$288,725. This increase resulted from operating revenue of \$1,993,237 and nonoperating revenue of \$315,616 exceeding operating expenses of \$2,251,366. It is also a result of the Building Fund purchasing food service equipment in the amount of \$231,238, which is classified as "Capital Contributions from Other Funds" on the financial statements.

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, 2009
(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 2009?" 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, 2009
(Unaudited)

Reporting 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 2008 compared to 2009:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and Other Assets	\$ 49,474,374	\$ 66,482,774	\$ 235,390	\$ 189,650	\$ 49,709,764	\$ 66,672,424
Capital Assets	53,406,102	44,789,338	346,853	137,230	53,752,955	44,926,568
Total Assets	<u>102,880,476</u>	<u>111,272,112</u>	<u>582,243</u>	<u>326,880</u>	<u>103,462,719</u>	<u>111,598,992</u>
Liabilities						
Long-Term Liabilities	63,608,163	66,966,604	142,005	144,600	63,750,168	67,111,204
Other Liabilities	28,110,469	32,172,844	233,072	263,839	28,343,541	32,436,683
Total Liabilities	<u>91,718,632</u>	<u>99,139,448</u>	<u>375,077</u>	<u>408,439</u>	<u>92,093,709</u>	<u>99,547,887</u>
Net Assets						
Invested in Capital Assets, Net of Debt	(3,830)	1,652,419	346,853	137,230	343,023	1,789,649
Restricted	4,141,341	3,815,166	-	-	4,141,341	3,815,166
Unrestricted	7,024,333	6,665,079	(139,687)	(218,789)	6,884,646	6,446,290
Total Net Assets	<u>\$ 11,161,844</u>	<u>\$ 12,132,664</u>	<u>\$ 207,166</u>	<u>\$ (81,559)</u>	<u>\$ 11,369,010</u>	<u>\$ 12,051,105</u>

For Governmental Activities, total assets decreased \$8,391,636. Equity in cash, cash equivalents, and investments decreased \$14,115,275 and capital assets increased \$8,616,764 due to the District's ongoing construction. Total liabilities decreased \$7,420,816 due to the payoff of contracts related to the construction project. In addition, unearned revenue decreased as a direct result of the decreased amount of property taxes receivable. Long Term debt due at June 30, 2009 decreased because the District paid off Phase I of the Stadium Lease. These factors contributed to the net asset decrease of \$970,820.

The net assets of the District's business-type activities increased by \$288,725. This was due to the Building Fund purchasing Food Service equipment in the amount of \$231,238.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Table 2 shows the change in net assets for fiscal year 2009 as compared to fiscal year 2008.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for Services	\$ 387,234	\$ 367,449	\$ 1,985,853	\$ 1,921,058	\$ 2,373,087	\$ 2,288,507
Operating Grants	1,486,099	1,763,538	315,465	260,849	1,801,564	2,024,387
Capital Grants	28,515	12,995	-	-	28,515	12,995
General Revenues:						
Property Taxes	26,480,254	26,621,271	-	-	26,480,254	26,621,271
Grants and Entitlements	13,654,282	12,245,711	-	-	13,654,282	12,245,711
Other	3,177,959	3,974,366	7,535	29,381	3,185,494	4,003,747
Total Revenues	45,214,343	44,985,330	2,308,853	2,211,288	47,523,196	47,196,618
Program Expenses:						
Instruction	23,553,503	22,307,624	-	-	23,553,503	22,307,624
Support Services:						
Pupil and Instructional Staff	3,126,168	3,124,907	-	-	3,126,168	3,124,907
School Administration, General Administration, Fiscal, and Business	4,308,881	4,655,658	-	-	4,308,881	4,655,658
Operation and Maintenance	6,586,543	2,457,696	-	-	6,586,543	2,457,696
Pupil Transportation	3,028,777	2,385,567	-	-	3,028,777	2,385,567
Central	250,868	230,662	-	-	250,868	230,662
Operation of Non-Instructional Services	515,814	769,130	-	-	515,814	769,130
Extracurricular Activities	1,245,901	1,254,622	-	-	1,245,901	1,254,622
Interest and Fiscal Charges	3,337,470	2,829,761	-	-	3,337,470	2,829,761
Food Service	-	-	1,199,391	1,140,674	1,199,391	1,140,674
Preschool/Latchkey	-	-	1,023,830	1,187,402	1,023,830	1,187,402
Preschool Grant	-	-	28,145	21,817	28,145	21,817
Total Expenses	45,953,925	40,015,627	2,251,366	2,349,893	48,205,291	42,365,520
Transfers	(231,238)	-	231,238	-	-	-
Change in Net Assets	(970,820)	4,969,703	288,725	(138,605)	(682,095)	4,831,098
Beginning Net Assets	12,132,664	7,162,961	(81,559)	57,046	12,051,105	7,220,007
Ending Net Assets	\$ 11,161,844	\$ 12,132,664	\$ 207,166	\$ (81,559)	\$ 11,369,010	\$ 12,051,105

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(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 89% 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 2009.

Instruction comprises 51% of governmental program expenses. Instruction expense increased due to higher salaries and health insurance costs. Operation and maintenance expense increased due to costs associated with the High School/Junior High School that did not meet the capitalization threshold. Interest and fiscal charges increased due to the District paying off Phase I of the stadium lease. Support services expenses were 38% of governmental program expenses. All other expenses including interest expense were 11% 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 *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	
	2009	2008	2009	2008
Instruction	\$23,553,503	\$22,307,624	\$22,889,931	\$21,534,097
Support Services:				
Pupil and Instructional Staff	3,126,168	3,124,907	2,672,193	2,525,370
School Administration, General Administration, Fiscal, and Business	4,308,881	4,655,658	4,295,441	4,638,024
Operation and Maintenance	6,586,543	2,457,696	6,521,935	2,440,062
Pupil Transportation	3,028,777	2,385,567	2,970,542	2,354,938
Central	250,868	230,662	250,868	230,662
Operation of Non-Instructional Services	515,814	769,130	(19,140)	187,231
Extracurricular Activities	1,245,901	1,254,622	1,132,837	1,131,500
Interest and Fiscal Charges	3,337,470	2,829,761	3,337,470	2,829,761
Total Expenses	<u>\$45,953,925</u>	<u>\$40,015,627</u>	<u>\$44,052,077</u>	<u>\$37,871,645</u>

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Business-Type Activities

Business-type activities include the food service operation, preschool and latchkey operations, and preschool grants. These programs had revenues of \$2,308,853 and expenses of \$2,251,366 for fiscal year 2009. Net assets increased \$288,725 due to the Building Fund purchasing \$231,238 in equipment for the Food Service Fund.

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 \$45,599,332 and expenditures of \$58,107,577. The net change in fund balance for the year was a decrease of \$12,508,245.

The General Fund balance decreased \$534,957 due to a decrease in investment earnings. The General Fund expenditures increased by \$2,749,127 due to the payoff of Phase I of the Stadium lease and increased costs associated with the privatization of bussing services. The privatization of bussing service have new bus purchases built into the cost. The Debt Service Fund balance increased \$622,338 due to an increase in taxes and entitlements received from the State. The Building Capital Project Fund balance decreased \$13,098,540 due to the District spending monies on capital projects (high school/junior high additions and a new transportation building) .

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 2009, 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 \$35,482,468, above original budget estimates of \$34,642,369. Of this \$840,099 difference, most was due to an underestimate for intergovernmental and miscellaneous revenues. Budget basis actual expenditures were \$37,495,150, above original budget estimates of \$36,748,105, due to the General Fund paying a portion of the stadium lease Phase I payoff.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$53,752,955 invested in land, construction-in-progress, land improvements, buildings, equipment and vehicles. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 3,074,466	\$ 3,074,466	\$ -	\$ -	\$ 3,074,466	\$ 3,074,466
Construction-in-progress	11,216,920	7,593,169	-	-	11,216,920	\$ 7,593,169
Land Improvements	1,397,642	1,525,209	1,403	1,762	1,399,045	\$ 1,526,971
Buildings and Improvements	35,556,166	31,457,750	58,748	60,882	35,614,914	\$ 31,518,632
Furniture and Equipment	1,565,180	388,950	286,702	74,586	1,851,882	\$ 463,536
Vehicles	595,728	749,794	-	-	595,728	\$ 749,794
Total Capital Assets	\$ 53,406,102	\$ 44,789,338	\$ 346,853	\$ 137,230	\$ 53,752,955	\$ 44,926,568

The increase in capital assets is due to construction being performed at fiscal year end which adds space at the high school and junior high. 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, 2009, the District had \$60,338,377 in bonds and capital leases payable, \$2,381,477 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5
Outstanding Debt at June 30

	Governmental Activities	
	2009	2008
EPA Asbestos	\$ 44,196	\$ 58,953
School Improvement Bonds 1995	3,110,000	3,110,000
School Improvement Bonds 1998	149,646	318,182
School Improvement Bonds 1999	100,000	200,000
School Improvement Bonds 2005	18,194,062	18,375,918
School Improvement Bonds 2000	3,450,000	3,970,000
School Improvement Bonds 2003	5,325,000	6,045,000
School Improvement Bonds 2007	27,792,126	28,086,448
Capital Lease: Athletic Stadium	2,173,347	3,887,420
Total Outstanding Debt	\$ 60,338,377	\$ 64,051,921

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, 2009
(Unaudited)

For the Future

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

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property 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.

Kings Local School District

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 22,388,715	\$ 200,362	\$ 22,589,077
Cash and Cash Equivalents in Segregated Accounts	31,683		31,683
Inventory Held for Resale	-	13,741	13,741
Accrued Interest Receivable	26,963	-	26,963
Accounts Receivable	10,426	19,364	29,790
Internal Balances	1,461	(1,461)	-
Intergovernmental Receivable	370,307	3,384	373,691
Property Taxes Receivable	26,220,610	-	26,220,610
Deferred Charges	424,209	-	424,209
Nondepreciable Capital Assets	14,291,386	-	14,291,386
Depreciable Capital Assets, Net	39,114,716	346,853	39,461,569
<i>Total Assets</i>	<u>102,880,476</u>	<u>582,243</u>	<u>103,462,719</u>
Liabilities			
Accounts Payable	1,059,005	6,210	1,065,215
Accrued Wages and Benefits	3,424,650	124,275	3,548,925
Contracts Payable	124,343	-	124,343
Intergovernmental Payable	1,144,457	99,006	1,243,463
Accrued Interest Payable	208,602	-	208,602
Unearned Revenue	22,149,412	3,581	22,152,993
Long-Term Liabilities:			
Due Within One Year	2,731,181	14,200	2,745,381
Due In More Than One Year	60,876,982	127,805	61,004,787
<i>Total Liabilities</i>	<u>91,718,632</u>	<u>375,077</u>	<u>92,093,709</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	(3,830)	346,853	343,023
Restricted for:			
Debt Service	4,072,795	-	4,072,795
Other Purposes	68,546	-	68,546
Unrestricted (Deficit)	7,024,333	(139,687)	6,884,646
<i>Total Net Assets</i>	<u>\$ 11,161,844</u>	<u>\$ 207,166</u>	<u>\$ 11,369,010</u>

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	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
Governmental Activities							
Instruction:							
Regular	\$ 18,705,234	\$ 187,942	\$ 74,299	\$ -	\$ (18,442,993)	\$ -	\$ (18,442,993)
Special	4,181,064	-	401,216	-	(3,779,848)	-	(3,779,848)
Other	667,205	-	115	-	(667,090)	-	(667,090)
Support Services:							
Pupil	1,805,538	8,180	163,458	-	(1,633,900)	-	(1,633,900)
Instructional Staff	1,320,630	-	282,337	-	(1,038,293)	-	(1,038,293)
General Administration	81,060	-	-	-	(81,060)	-	(81,060)
School Administration	3,465,823	13,440	-	-	(3,452,383)	-	(3,452,383)
Fiscal	519,456	-	-	-	(519,456)	-	(519,456)
Business	242,542	-	-	-	(242,542)	-	(242,542)
Operation and Maintenance of Plant	6,586,543	64,608	-	-	(6,521,935)	-	(6,521,935)
Pupil Transportation	3,028,777	-	29,720	28,515	(2,970,542)	-	(2,970,542)
Central	250,868	-	-	-	(250,868)	-	(250,868)
Operation of Non-Instructional Services							
	515,814	-	534,954	-	19,140	-	19,140
Extracurricular Activities	1,245,901	113,064	-	-	(1,132,837)	-	(1,132,837)
Interest and Fiscal Charges	3,337,470	-	-	-	(3,337,470)	-	(3,337,470)
<i>Total Governmental Activities</i>	<u>45,953,925</u>	<u>387,234</u>	<u>1,486,099</u>	<u>28,515</u>	<u>(44,052,077)</u>	<u>-</u>	<u>(44,052,077)</u>
Business-Type Activities							
Food Service	1,199,391	869,489	296,791	-	-	(33,111)	(33,111)
Latchkey/ Preschool	1,023,830	1,116,364	-	-	-	92,534	92,534
Preschool Grant	28,145	-	18,674	-	-	(9,471)	(9,471)
<i>Total Business-Type Activities</i>	<u>2,251,366</u>	<u>1,985,853</u>	<u>315,465</u>	<u>-</u>	<u>-</u>	<u>49,952</u>	<u>49,952</u>
Totals	<u>\$ 48,205,291</u>	<u>\$ 2,373,087</u>	<u>\$ 1,801,564</u>	<u>\$ 28,515</u>	<u>\$ (44,052,077)</u>	<u>\$ 49,952</u>	<u>\$ (44,002,125)</u>

General Revenues and Transfers

Property Taxes Levied for:

General Purposes	20,457,510	-	20,457,510
Debt Service	5,014,289	-	5,014,289
Capital Outlay	1,008,455	-	1,008,455
Grants and Entitlements not Restricted to Specific Programs	13,654,282	-	13,654,282
Payment in Lieu of Taxes	2,005,483	-	2,005,483
Investment Earnings	532,850	151	533,001
Miscellaneous	639,626	7,384	647,010
Transfers	(231,238)	231,238	-

Total General Revenues and Transfers

43,081,257 238,773 43,320,030

Change in Net Assets

(970,820) 288,725 (682,095)

Net Assets Beginning of Year

12,132,664 (81,559) 12,051,105

Net Assets End of Year

\$ 11,161,844 \$ 207,166 \$ 11,369,010

See accompanying notes to the basic financial statements

Kings Local School District*Balance Sheet**Governmental Funds**June 30, 2009*

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash,					
Cash Equivalents and Investments	\$ 10,211,218	\$ 3,771,317	\$ 6,462,663	\$ 1,943,517	\$ 22,388,715
Cash and Cash Equivalents in Segregated Accounts	31,683				31,683
Accrued Interest Receivable	26,963	-	-	-	26,963
Accounts Receivable	5,336	-	3,000	2,090	10,426
Interfund Receivable	86,511	-	-	-	86,511
Intergovernmental Receivable	13,722	-	-	356,585	370,307
Property Taxes Receivable	21,447,790	3,802,230	-	970,590	26,220,610
<i>Total Assets</i>	<u>31,823,223</u>	<u>7,573,547</u>	<u>6,465,663</u>	<u>3,272,782</u>	<u>49,135,215</u>
Liabilities					
Accounts Payable	235,112	-	680,248	143,645	1,059,005
Contracts Payable	-	-	124,343	-	124,343
Accrued Wages	3,306,576	-	-	118,074	3,424,650
Intergovernmental Payable	1,144,396	-	-	61	1,144,457
Compensated Absences Payable	25,250	-	-	-	25,250
Interfund Payable	-	-	-	85,050	85,050
Deferred Revenue	19,357,095	3,394,380	-	1,099,785	23,851,260
<i>Total Liabilities</i>	<u>24,068,429</u>	<u>3,394,380</u>	<u>804,591</u>	<u>1,446,615</u>	<u>29,714,015</u>
Fund Balances					
Reserved for Encumbrances	60,543	-	2,182,726	88,511	2,331,780
Reserved for Property Tax Advance	1,617,850	407,850	-	80,130	2,105,830
Unreserved:					
Undesignated, Reported in:					
General Fund	6,076,401	-	-	-	6,076,401
Special Revenue Funds	-	-	-	254,518	254,518
Debt Service Funds	-	3,771,317	-	-	3,771,317
Capital Projects Funds	-	-	3,478,346	1,403,008	4,881,354
<i>Total Fund Balances</i>	<u>7,754,794</u>	<u>4,179,167</u>	<u>5,661,072</u>	<u>1,826,167</u>	<u>19,421,200</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 31,823,223</u>	<u>\$ 7,573,547</u>	<u>\$ 6,465,663</u>	<u>\$ 3,272,782</u>	<u>\$ 49,135,215</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, 2009*

Total Governmental Funds Balances		\$ 19,421,200
<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		53,406,102
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:		
Property Taxes		1,472,108
Interest		20,416
Intergovernmental		209,324
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	(58,165,030)	
Capital Leases	(2,173,347)	
Compensated Absences	(3,244,536)	
Accrued Interest Payable	(208,602)	
Total	(63,791,515)	
Deferred bond issuance costs associated with long-term liabilities are not reported in the funds.		424,209
<i>Net Assets of Governmental Activities</i>		\$ 11,161,844

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, 2009

	General	Debt Service	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 21,084,802	\$ 5,120,600	\$ -	\$ 1,039,956	\$ 27,245,358
Intergovernmental	12,730,859	623,784	-	1,716,193	15,070,836
Investment Earnings	520,821	-	2,882	18,824	542,527
Tuition and Fees	265,990	-	-	-	265,990
Extracurricular Activities	-	-	-	121,244	121,244
Payment in Lieu of Taxes	1,421,488	-	-	292,264	1,713,752
Miscellaneous	160,774	-	10,000	462,455	633,229
<i>Total Revenues</i>	<u>36,184,734</u>	<u>5,744,384</u>	<u>12,882</u>	<u>3,650,936</u>	<u>45,592,936</u>
Expenditures					
Current:					
Instruction:					
Regular	16,947,270	-	1,644,520	150,713	18,742,503
Special	3,805,455	-	-	365,424	4,170,879
Other	664,870	-	-	-	664,870
Support Services:					
Pupil	1,599,461	-	-	186,893	1,786,354
Instructional Staff	1,070,199	-	-	260,587	1,330,786
General Administration	81,060	-	-	-	81,060
School Administration	3,446,879	-	-	19,826	3,466,705
Fiscal	462,194	21,276	-	31,659	515,129
Business	237,074	-	-	-	237,074
Operation and Maintenance of Plant	3,662,939	-	108,079	63,765	3,834,783
Pupil Transportation	2,862,862	-	-	3,989	2,866,851
Central	250,868	-	-	-	250,868
Operation of Non-Instructional Services	3,674	-	-	493,485	497,159
Extracurricular Activities	716,636	-	-	523,589	1,240,225
Capital Outlay	-	-	11,358,823	25,362	11,384,185
Debt Service:					
Principal Retirement	908,250	1,928,536	-	820,580	3,657,366
Interest and Fiscal Charges	-	3,172,234	-	208,546	3,380,780
<i>Total Expenditures</i>	<u>36,719,691</u>	<u>5,122,046</u>	<u>13,111,422</u>	<u>3,154,418</u>	<u>58,107,577</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(534,957)</u>	<u>622,338</u>	<u>(13,098,540)</u>	<u>496,518</u>	<u>(12,514,641)</u>
Other Financing Sources and Uses					
Proceeds from Sale of Capital Assets	-	-	-	6,396	6,396
<i>Total Other Financing Sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,396</u>	<u>6,396</u>
<i>Net Change in Fund Balances</i>	<u>(534,957)</u>	<u>622,338</u>	<u>(13,098,540)</u>	<u>502,914</u>	<u>(12,508,245)</u>
Fund Balances					
<i>Beginning 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>
<i>Fund Balances End of Year</i>	<u>\$ 7,754,794</u>	<u>\$ 4,179,167</u>	<u>\$ 5,661,072</u>	<u>\$ 1,826,167</u>	<u>\$ 19,421,200</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, 2009*

Net Change in Fund Balances - Total Governmental Funds \$ (12,508,245)

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	9,959,869	
Depreciation expense	<u>(1,343,105)</u>	
Total		8,616,764

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

Interest	(9,677)	
Grants	98,060	
Tax abatements	291,731	
Delinquent Property Taxes	<u>(765,104)</u>	
Total		(384,990)

Repayment of bond principal and capital lease is an expenditure in the governmental funds and a reduction of liabilities in the statement of net assets. 3,657,366

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	1,899	
Accreted Interest	(91,572)	
Premium	147,750	
Deferred Issuance Costs	<u>(14,767)</u>	
		43,310

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	<u>(395,025)</u>	
Total		<u>(395,025)</u>

Change in Net Assets of Governmental Activities \$ (970,820)

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Other Enterprise Funds
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 200,362
<i>Receivables:</i>	
Intergovernmental	3,384
Accounts	19,364
Inventory Held for Resale	13,741
<i>Total Current Assets</i>	236,851
<i>Noncurrent Assets:</i>	
Depreciable Capital Assets, Net	346,853
<i>Total Noncurrent Assets</i>	346,853
<i>Total Assets</i>	583,704
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	6,210
Accrued Wages and Benefits	124,275
Intergovernmental Payable	99,006
Compensated Absences Payable	14,200
Interfund Payable	1,461
Unearned Revenue	3,581
<i>Total Current Liabilities</i>	248,733
<i>Long-Term Liabilities:</i>	
Compensated Absences Payable	127,805
<i>Total Long-Term Liabilities</i>	127,805
<i>Total Liabilities</i>	376,538
Net Assets	
Invested In Capital Assets	346,853
Unrestricted (Deficit)	(139,687)
<i>Total Net Assets</i>	\$ 207,166

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, 2009*

	Other Enterprise Funds
Operating Revenues	
Tuition	\$ 1,116,364
Charges for Services	869,489
Miscellaneous	7,384
<i>Total Operating Revenues</i>	1,993,237
Operating Expenses	
Salaries	1,081,817
Fringe Benefits	590,979
Purchased Services	6,332
Materials and Supplies	519,048
Depreciation	21,615
Other	31,575
<i>Total Operating Expenses</i>	2,251,366
<i>Operating Income (Loss)</i>	(258,129)
Non-Operating Revenues (Expenses)	
Donated Commodities	49,846
Investment Earnings	151
Operating Grants	265,619
<i>Total Non-Operating Revenues (Expenses)</i>	315,616
<i>Income (Loss) Before Contributions and Transfers</i>	57,487
Capital Contributions from other funds	231,238
<i>Change in Net Assets</i>	288,725
<i>Net Assets Beginning of Year</i>	(81,559)
<i>Net Assets End of Year</i>	\$ 207,166

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, 2009

	Other Enterprise Funds
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 1,996,617
Cash Payments to Employees for Services	(1,182,615)
Cash Payments for Employee Benefits	(575,215)
Cash Payments for Goods and Services	(461,310)
Other Operating Revenue	9,816
<i>Net Cash Provided by (Used in) Operating Activities</i>	<i>(212,707)</i>
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	271,386
Short Term Loans Received from Other Funds	574
<i>Net Cash Provided by (Used in) Noncapital Financing Activities</i>	<i>271,960</i>
Cash Flows from Investing Activities	
Interest on Investments	151
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>59,404</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>140,958</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>200,362</i>
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	(258,129)
Adjustments:	
Depreciation	21,615
Donated Commodities	49,846
(Increase) Decrease in Assets:	
Inventory Held for Resale	(3,441)
Accounts Receivable	10,764
Increase (Decrease) in Liabilities:	
Accounts Payable	5,516
Accrued Wages and Benefits	(68,733)
Compensated Absences Payable	(2,595)
Intergovernmental Payable	29,899
Deferred Revenue	2,551
<i>Net Cash Provided by (Used in) Operating Activities</i>	<i>\$ (212,707)</i>

Noncash capital and financing activities

The Building Fund purchased capital assets in the amount of \$231,238 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, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 55,438</u>
<i>Total Assets</i>	<u><u>55,438</u></u>
Liabilities	
Accounts Payable	3,578
Due to Students	<u>51,860</u>
<i>Total Liabilities</i>	<u><u>\$ 55,438</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, 2009

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 18 and 19 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) guidance 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, 2009

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.

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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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.

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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2009, but which were levied to finance fiscal year 2010 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 2009, the District's investments were limited to US Agency securities, money market funds, the State Treasury Asset Reserve of Ohio (STAR Ohio), bankers acceptance 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, 2009.

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, 2009 at fair value.

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 2009 amounted to \$520,821.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land Improvements	20 years	20 years
Buildings and Improvements	25 – 50 years	25 – 50 years
Furniture, 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.

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,

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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. Unamortized Bond Issuance Cost/Bond Premium and Discount

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets as "Deferred Charges."

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

L. 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 \$4,141,341 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.

M. 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

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

N. 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.

O. 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.

P. 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 – Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations,” GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments,” GASB Statement No 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” and GASB Statement No 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.”

GASB Statement No 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No 52 did not have an effect on the financial statements of the District.

GASB Statement No 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB’s authoritative literature. The implementation of GASB Statement No 55 did not have an effect on the financial statements of the District.

GASB Statement No 56 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ (AICPA) Statements on

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 3 – Change in Accounting Principles (continued)

Auditing Standards. The implementation of GASB Statement No 56 did not have an effect on the financial statement of the District.

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.

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).

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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 \$3,213,877. Of the bank balance, \$250,000 was covered by federal depository insurance. The remaining balance was covered by a 105% public depository pool, which was collateralized with securities held by the pledging financial institution trust department but not in the 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.

Investments

At June 30, 2009, the District’s investment balance was as follows:

Description	Weighted Average Maturity (in years)	Fair Value
STAR Ohio	N/A	\$16,366,795
US Agency Notes	1.05	1,285,468
US Agency Discount Notes	.51	2,536,233
Bankers Acceptance	.36	404,761
US Money Market	N/A	47,221
Total		\$ 20,640,478

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. Investments in Bankers Acceptance were rated A-1+ by Standard and Poor’s and P-1 by Moody’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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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 79.3% in STAR Ohio, 6.2% in US Agency Notes, 12.3% in US Agency Discount Notes, 2% in Bankers Acceptance and 0.2% 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.

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 2009 represent the collection of calendar year 2008 taxes. Real property taxes for 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2009 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multicounty 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, 2009, are available to finance fiscal year 2009 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, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, they were not levied to finance fiscal year 2009 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, 2009, were \$1,617,850 in the General Fund, \$407,850 in the Debt Service Fund and \$80,130 in the Permanent Improvement Fund.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 5 - Property Taxes (continued)

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$727,989,710	95%	\$746,311,040	95%
Public Utility Personal	13,885,250	2%	13,911,700	2%
Tangible Personal	25,315,455	3%	1,770,240	3%
Total Assessed Value	<u>\$767,190,415</u>	<u>100%</u>	<u>\$761,992,980</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Value	\$70.23		\$70.53	

Note 6 - Receivables

Receivables at June 30, 2009, 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, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities				
<i>Capital Assets not being depreciated:</i>				
Land	\$3,074,466	\$0	\$0	\$3,074,466
Construction-in-progress	\$7,593,169	8,525,210	(4,901,459)	11,216,920
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	4,053,015	26,779	(5,170)	4,074,624
Buildings and Improvements	45,119,388	5,021,932	0	50,141,320
Vehicles	2,518,839		0	2,518,839
Furniture & Equipment	754,189	1,287,407	(106,770)	1,934,826
Totals at Historical Cost	<u>63,113,066</u>	14,861,328	(5,013,399)	72,960,995
Less Accumulated Depreciation:				
Land Improvements	(2,527,806)	(154,346)	5,170	(2,676,982)
Buildings and Improvements	(13,661,638)	(923,516)	0	(14,585,154)
Vehicles	(1,769,045)	(154,066)	0	(1,923,111)
Furniture & Equipment	(365,239)	(111,177)	106,770	(369,646)
Total Accumulated Depreciation	<u>(18,323,728)</u>	(1,343,105)	111,940	(19,554,893)
Governmental Activities				
Capital Assets, Net	<u>\$44,789,338</u>	13,518,223	(4,901,459)	<u>\$53,406,102</u>

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 7 - Capital Assets (continued)

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Business-Type Activities				
<i>Capital Assets being depreciated:</i>				
Land Improvements	\$7,708	\$0	\$0	\$7,708
Buildings and Improvements	83,070	0	0	83,070
Furniture & Equipment	254,343	231,238	0	485,581
Totals at Historical Cost	345,121	231,238	0	576,359
 Less Accumulated Depreciation:				
Land Improvements	(5,946)	(359)	0	(6,305)
Buildings & Improvements	(22,188)	(2,134)	0	(24,322)
Furniture & Equipment	(179,757)	(19,122)	0	(198,879)
Less Accumulated Depreciation	(207,891)	(21,615)	0	(229,506)
 Business-Type Activities				
Capital Assets, Net	\$137,230	209,623	\$0	\$346,853

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$59,424
Support Services:	
Instructional Staff	17,389
Operation and Maintenance of Plant	1,080,057
Pupil Transportation	182,884
Food Service Operations	853
Community Services	1,378
Extracurricular	1,120
Total Depreciation Expense	\$1,343,105

Note 8- Interfund Assets/Liabilities

Interfund transactions at June 30, 2009, consisted of the following:

Fund	Interfund Receivable	Interfund Payable
General	\$86,511	
 <i>Non-Major Governmental Funds:</i>		
Principal Support Fund		\$3,682
IDEA – B		68,239
Title V		124
Improving Teacher Quality		13,005
 <i>Non-Major Proprietary Funds:</i>		
Early Childhood Special Education		1,461
 <i>Total – All Funds</i>	 <u>\$86,511</u>	 <u>\$86,511</u>

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 8- Interfund Assets/Liabilities (continued)

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 to members and death and survivor benefits to 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, or by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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.

Funding Policy – For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percents for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District’s required contribution for pension obligations to STRS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$2,476,411, \$2,377,752 and \$2,331,324, respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent has been contributed for fiscal years 2008 and 2007.

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, disability and survivor 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 9 - Defined Benefit Pension Plans (continued)

SERS issues a publicly available, stand-alone 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 or by calling toll free (800 878-5853). It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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; 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$691,529, \$814,666 and \$852,792, respectively; which equaled the required contributions each year.

Note 10 - Postemployment Benefits

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$176,886, \$169,839 and \$166,523, 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 and beneficiaries. Qualified benefit recipients who pay Medicare part B premiums may apply for and receive a monthly reimbursement from SERS. 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 and beneficiaries 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 and beneficiaries for the lesser of January 1, 1999 Medicare Part B premiums or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, 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 2009, the actuarially required allocation was .75%. Kings Local School District contributions for the years ended June 30, 2009, 2008, and 2007 were \$37,046, \$39,569, and \$45,685, respectively, which equaled the required contributions.

SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Health Care Plan is funded through employer contributions. Active members do not make contribution to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after allocation for required benefits, the Retirement Board allocates the remainder of the employers' 14% contribution. For the year ended June 30, 2009, the health care allocation is 4.16%.

Note 10 - Postemployment Benefits (continued)

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 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. Kings Local School District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$205,483, \$193,192 and \$208,325, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualifies years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under Employers/Audit Resources.

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, Treasurer, High School Principal, Business Manager and Athletic Director.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 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.

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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 12 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2009 were as follows:

	Maturity Dates	Balance At July 1, 2008	Additions	Reductions	Balance At June 30, 2009	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	318,182	0	(168,536)	149,646	149,646
EPA Asbestos Loan 1993 0.00%	5/30/2013	58,953	0	(14,757)	44,196	14,739
School Improvement 1999 4.75%	12/1/2024	200,000	0	(100,000)	100,000	100,000
School Improvement 2000 5.47%	12/1/2025	3,970,000	0	(520,000)	3,450,000	605,000
School Improvement 2003 4.25%	12/1/2021	6,045,000	0	(720,000)	5,325,000	795,000
School Improvement 2005 3.05%						
Term and Serial Bonds	12/1/2025	16,020,000	0	(170,000)	15,850,000	175,000
Premium		1,861,708	0	(103,428)	1,758,280	0
	12/1/2010-					
Capital Appreciation Bond	12/1/2015	120,000	0	0	120,000	0
Interest Accretion		374,210	91,572	0	465,782	0
Total School Improvement 2005		18,375,918	91,572	(273,428)	18,194,062	175,000
School Improvement 2007 4.13%						
Term and Serial Bonds	12/1/2033	27,200,000	0	(250,000)	26,950,000	445,000
Premium		886,448	0	(44,322)	842,126	0
Total School Improvement 2007		28,086,448	0	(294,322)	27,792,126	445,000
Total General Obligation Bonds		60,164,501	91,572	(2,091,043)	58,165,030	2,284,385
Compensated Absences		2,914,683	554,566	(199,463)	3,269,786	349,704
Capital Leases		3,887,420	0	(1,714,073)	2,173,347	97,092
Total Governmental Activities		\$66,966,604	\$646,138	(\$4,004,578)	\$63,608,163	\$2,731,181
		Balance At	Additions	Reductions	Balance At	Amounts
		July 1, 2008			June 30, 2009	Due in
Business-Type Activities:						
Compensated Absences		\$144,600	\$2,054	(\$4,648)	\$142,005	\$14,200

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 5.86%. 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 2013. The loan is being paid from the permanent improvement capital projects fund.

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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 12 - Long-Term Obligations (continued)

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

Fiscal Year Ending	GO Bonds and Loans Payable*		Total
	Principal	Interest	
2010	2,284,365	3,116,095	5,400,460
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	1,790,000	2,552,839	4,342,839
2015 – 2019	12,800,000	11,382,119	24,182,119
2020 – 2024	14,760,000	9,020,300	23,780,300
2025 – 2029	10,880,000	3,404,750	14,284,750
2030 – 2034	9,150,000	1,188,500	10,338,500
Totals	\$55,098,842	\$38,843,331	\$93,942,173

*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 paid off the Phase I lease during fiscal year 2009. 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. The interest rate for Phase II is 4.27%. The lease is renewable annually and will expire in fiscal year 2015. The intention of the District is to renew the lease annually. The agreement is recorded on the statement of net assets as a long term liability. Principal payments of \$1,714,073 were made during fiscal year 2009. The principal amount owed on the Phase II lease at year end is \$2,173,347.

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. The amounts presented below represent Phase II of the stadium lease.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 14– Capital Leases (continued)

Fiscal Year Ending	Capital Leases
2010	\$188,868
2011	188,868
2012	188,868
2013	188,868
2014	188,868
Thereafter	1,713,071
Total	2,657,411
Less: Amount Representing Interest	(484,064)
Present Value of Minimum Lease Payments	\$2,173,347

Note 15 – 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, 2008	(\$1,134,056)	\$0
Current Year Set Aside Requirement	583,767	583,767
Current Year Offset	0	0
Qualifying Expenditures	(967,437)	(14,949,912)
Set-aside Reserve Balance June 30, 2009	(1,517,726)	(14,366,145)
Restricted Cash as of June 30, 2009	\$0	\$0
Amount Carried Forward to Fiscal Year 2010	(\$1,517,726)	\$0

Qualifying disbursements and carryover from prior years for textbooks totaled \$2,101,493, resulting in \$1,517,726 for carryover to offset textbook requirements in future years. The reserve balance in the capital acquisition cannot be carried forward.

Note 16 - 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, 2009.

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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 17– 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 2009, 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)	1,000,000
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 2009, 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.

Note 18 – 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 18 – Jointly Governed Organizations - continued

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

All member districts are obligated to pay all fees, charges, or other assessments as established by 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 19 – 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.

Note 20 – Construction Commitments

The School District contracted for the construction of remodeling of the High School and Junior High School, along with other building improvements throughout the District. The High School and Junior High projects began in the 2008 fiscal year and will be completed in fiscal year 2010. The significant outstanding construction commitments at June 30, 2009 are as follows:

<u>Contractor</u>	<u>Total Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/2009</u>
DAG Construction Company	7,624,006	6,684,060	939,946
Feldkamp Enterprises	1,190,847	1,103,229	87,618
Gil Ruehl Plumbing	547,877	337,341	210,536
Wasserstrom Company	365,362	240,143	125,219
Beacon Electric Company	1,810,065	1,619,199	190,866
Cincy Fire Protection, Inc.	59,537	57,647	1,890
Turnbull-Wahlert Construction, Inc	464,877	343,122	121,755
The Breese Company	189,760	142,319	47,441
Kramer & Feldman Inc	217,208	0	217,208
Feldkamp Enterprises	53,223	0	53,223
Evans Landscaping	268,890	0	268,890
Mardis & Meehan Construction, Inc	123,257	35,720	87,537
Volk Electrical	46,478	17,923	28,555
TWG, Inc	29,370	0	29,370

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES:			
Taxes	\$20,915,453	\$20,915,453	\$20,717,170
Intergovernmental	11,907,117	11,907,117	12,730,859
Interest	875,000	875,000	514,004
Tuition and Fees	203,160	229,305	263,034
Rentals	160,000	160,000	89,994
Miscellaneous	581,639	581,639	1,167,407
Total Revenues	<u>34,642,369</u>	<u>34,668,514</u>	<u>35,482,468</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	31,213,021	31,151,530	17,134,473
Special	437,412	431,812	3,744,019
Other	540,384	600,384	664,316
Support Services:			
Pupils	129,180	105,278	1,614,807
Instructional Staff	149,423	169,426	1,088,963
Board of Education	103,863	123,863	83,932
Administration	899,646	780,299	3,444,004
Fiscal	524,938	528,459	905,737
Business	110,675	58,930	298,891
Operation and Maintenance of Plant	1,815,015	2,044,138	3,738,534
Pupil Transportation	531,076	2,829,076	2,886,644
Central	232,732	242,154	260,030
Operation of Non-Instructional Services	304	304	6,025
Extracurricular Activities	60,436	67,399	716,525
Debt Service:			
Principal	-	1,016,435	908,250
Total Expenditures	<u>36,748,105</u>	<u>40,149,487</u>	<u>37,495,150</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,105,736)</u>	<u>(5,480,973)</u>	<u>(2,012,682)</u>
OTHER FINANCING SOURCES AND USES:			
Advances In	15,000	15,000	165,566
Refund of Prior Year Expenditures	-	-	428,672
Advances Out	(15,000)	(150,000)	(88,190)
Total Other Financing Sources and Uses	<u>-</u>	<u>(135,000)</u>	<u>506,048</u>
Net Change in Fund Balances	(2,105,736)	(5,615,973)	(1,506,634)
Fund Balance (Deficit) at Beginning of Year	10,711,532	10,711,532	10,711,532
Prior Year Encumbrances Appropriated	537,068	537,068	537,068
Fund Balance (Deficit) at End of Year	<u>\$9,142,864</u>	<u>\$5,632,627</u>	<u>\$9,741,966</u>

See accompanying notes to required supplementary information

Kings Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2009

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 2009.

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) basis 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	(\$534,957)
Net Adjustment for Revenue Accruals	(273,594)
Net Adjustment for Expenditure Accruals	(332,455)
Encumbrances	(443,004)
Net Adjustment for Advances	77,376
Budget Basis	(\$1,506,634)

Kings Local School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

<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)				
Fruit and Vegetable Grant	n/a	10.582	\$ 25,997	25,997
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	n/a	10.555	49,846	49,846
<i>Cash Assistance</i>				
School Breakfast Program	05PU-2008	10.553	27,664	27,664
National School Lunch Program	LLP4-2008	10.555	187,651	187,651
Nutrition Cluster Total			<u>265,161</u>	<u>265,161</u>
Total U.S. Department of Agriculture			<u>291,158</u>	<u>291,158</u>
<u>U.S. Department of Education:</u> (Passed through Ohio Department of Education)				
Title I Grants to Local Educational Agencies	C1S1-2008	84.010	17,154	7,785
Title I Grants to Local Educational Agencies	C1S1-2009	84.010	138,188	126,952
			<u>155,342</u>	<u>134,737</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2008	84.027	168,198	104,562
Special Education - Grants to States	6BSF-2009	84.027	513,358	574,125
Special Education - Preschool Grants	PGS1-2008	84.173	937	1,415
Special Education - Preschool Grants	PGS1-2009	84.173	23,270	23,333
Child Outcomes Support	PGD-2009	84.173	3,000	3,000
Special Education Cluster Total			<u>708,763</u>	<u>706,435</u>
Safe and Drug-Free Schools and Communities	DRS1-2009	84.186	7,522	7,515
State Grants for Innovative Programs	C2S1-2008	84.298	3,478	2,908
State Grants for Innovative Programs	C2S1-2009	84.298	3,648	4,241
			<u>7,126</u>	<u>7,149</u>
Education Technology State Grants	TJS1-2008	84.318	50	-
Education Technology State Grants	TJS1-2009	84.318	380	499
			<u>430</u>	<u>499</u>
English Language Acquisition Grants	T3S1-2009	84.365	9,600	10,000
Improving Teacher Quality State Grants	TRS1-2008	84.367	36,019	9,916
Improving Teacher Quality State Grants	TRS1-2009	84.367	36,048	37,219
			<u>72,067</u>	<u>47,135</u>
Total U.S. Department of Education			<u>960,850</u>	<u>913,470</u>
<u>U.S. Department of Homeland Security:</u> (Passed through Ohio Department of Public Safety)				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	31-6401135	97.036	10,250	10,250
Total Federal Awards			<u>\$ 1,262,258</u>	<u>1,214,878</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 DISTRIBUTION

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 AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
Kings Local School District:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Kings Local School District ("School District") as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 29, 2009. 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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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 grants 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 or other matters 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 29, 2009.

This report is intended solely for the information and use of the Board of Education, management, 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, Haskett & Co.

Cincinnati, Ohio
December 29, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND 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 Kings Local School District ("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, 2009. 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, 2009.

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 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.

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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 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 Board of Education, management, 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 29, 2009

KINGS LOCAL SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2009

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?	none
Noncompliance material to 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?	none
Identification of major programs:	
<i>Special Education Cluster:</i>	
<i>CFDA 84.027 – Special Education – Grants to States</i>	
<i>CFDA 84.173 – Special Education – Preschool Grants</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

KINGS LOCAL SCHOOL DISTRICT
Schedule of Prior Audit Findings
Year Ended June 30, 2009

Finding 2008-1 – Audit Adjustments

During the course of our audit, we identified misstatements in the financial statements for fiscal year 2008 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.

Status: *Corrected in FY09.*

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education
Kings Local School District:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 18, 2008.

2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
- (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
- (3) A procedure for reporting prohibited incidents;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 29, 2009



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
MARCH 11, 2010**