



KINGS LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2011

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Kings Local School District
1797 King Avenue
Kings Mill, 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, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 8, 2012

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TABLE OF CONTENTS

Independent Auditors' Report.....	1 – 2
Management's Discussion and Analysis	3 – 10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13 – 14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15 – 16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund.....	17
Statement of Net Assets – Enterprise Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Enterprise Funds	19
Statement of Cash Flows – Enterprise Funds.....	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	21
Notes to the Basic Financial Statements.....	22 – 43
Additional Information:	
Schedule of Expenditures of Federal Awards.....	44
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45 – 46
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	47 – 48
Schedule of Findings and Questioned Costs.....	49 – 50
Independent Accountants' Report on Applying Agreed-Upon Procedure.....	51

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the Kings Local School District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kings Local School District, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011, on our consideration of the 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 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 on pages 3 through 10 is not a required part of the basic financial statements but is 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 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. 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, 2011

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(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, 2011. 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 2011 are as follows:

- In total, net assets increased \$383,972. Net assets of governmental activities increased \$436,447, and net assets of business-type activities decreased \$52,475 from fiscal year 2010. The increase in net assets of governmental activities was due to an increase in taxes revenue due to passage of an operating levy in May 2010.
- Total assets of governmental activities decreased by \$2,211,065 due mainly to a large decrease in capital assets of \$1,595,215.
- General revenues of governmental activities accounted for \$42,864,231 in revenue or 92 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,726,720 or 8 percent of total revenues of \$46,590,951.

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 and Debt Service Fund are the major funds of the District.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(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 2011?" 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, 2011
(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 2011 compared to 2010:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other Assets	\$43,695,409	\$44,311,259	\$204,551	\$301,852	\$43,899,960	\$44,613,111
Capital Assets, Net	53,520,158	55,115,373	361,243	382,449	53,881,401	55,497,822
Total Assets	97,215,567	99,426,632	565,794	684,301	97,781,361	100,110,933
Liabilities						
Other Liabilities	30,789,757	30,549,712	240,195	295,657	31,029,952	30,845,369
Long-Term Liabilities	58,427,768	61,315,325	125,014	135,584	58,552,782	61,450,909
Total Liabilities	89,217,525	91,865,037	365,209	431,241	89,582,734	92,296,278
Net Assets						
Invested in Capital Assets, Net of Related Debt	589,793	(297,651)	361,243	382,449	951,036	84,798
Restricted	3,148,753	3,368,440	0	0	3,148,753	3,368,440
Unrestricted (Deficit)	4,259,496	4,490,806	(160,658)	(129,389)	4,098,838	4,361,417
Total Net Assets	\$7,998,042	\$7,561,595	\$200,585	\$253,060	\$8,198,627	\$7,814,655

For Governmental Activities, total assets decreased \$2,211,065. Capital assets decreased \$1,595,215 due to depreciation exceeding additions during the fiscal year.

For Governmental Activities, total liabilities decreased \$2,647,512. Long-term liabilities decreased \$2,887,557 largely due to the retirement of the Stadium Lease in fiscal year 2011.

Total net assets of the District's business-type activities decreased by \$52,475, which was insignificant. The most significant change in business-type activities was in the Latchkey/Preschool Program. Expenses, and consequently charges for services related to the expenses, decreased in the Latchkey/Preschool Program in fiscal year 2011 from fiscal year 2010 due to the District offering all day kindergarten beginning with the 2010/11 school year which took children from the Latchkey/Preschool Program.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2 shows the change in net assets for fiscal year 2011 as compared to fiscal year 2010.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$908,483	\$748,438	\$1,780,191	\$1,931,575	\$2,688,674	\$2,680,013
Operating Grants	2,818,237	2,795,266	403,529	388,880	3,221,766	3,184,146
General Revenues:						
Property Taxes	26,608,816	23,224,812	0	0	26,608,816	23,224,812
Grants and Entitlements	13,913,335	13,921,800	0	0	13,913,335	13,921,800
Other	2,342,080	1,541,971	5,930	3,730	2,348,010	1,545,701
Total Revenues	<u>46,590,951</u>	<u>42,232,287</u>	<u>2,189,650</u>	<u>2,324,185</u>	<u>48,780,601</u>	<u>44,556,472</u>
Expenses:						
Instruction	23,759,804	22,697,069	0	0	23,759,804	22,697,069
Support Services:						
Pupil and Instructional Staff	3,928,006	3,845,672	0	0	3,928,006	3,845,672
School Administration, General						
Administration, Fiscal, and						
Business	4,603,746	4,835,233	0	0	4,603,746	4,835,233
Operation and Maintenance	5,923,342	5,218,286	0	0	5,923,342	5,218,286
Pupil Transportation	2,909,657	3,051,502	0	0	2,909,657	3,051,502
Central	263,809	286,659	0	0	263,809	286,659
Operation of Non-Instructional						
Services	588,767	387,419	0	0	588,767	387,419
Extracurricular Activities	1,229,591	1,277,864	0	0	1,229,591	1,277,864
Interest and Fiscal Charges	2,947,782	3,202,211	0	0	2,947,782	3,202,211
Food Service	0	0	1,276,801	1,258,640	1,276,801	1,258,640
Preschool/Latchkey	0	0	933,417	1,070,471	933,417	1,070,471
Preschool Grant	0	0	31,907	27,553	31,907	27,553
Total Expenses	<u>46,154,504</u>	<u>44,801,915</u>	<u>2,242,125</u>	<u>2,356,664</u>	<u>48,396,629</u>	<u>47,158,579</u>
Transfers	0	(78,373)	0	78,373	0	0
Change in Net Assets	436,447	(2,648,001)	(52,475)	45,894	383,972	(2,602,107)
Beginning Net Assets	<u>7,561,595</u>	<u>10,209,596</u>	<u>253,060</u>	<u>207,166</u>	<u>7,814,655</u>	<u>10,416,762</u>
Ending Net Assets	<u>\$7,998,042</u>	<u>\$7,561,595</u>	<u>\$200,585</u>	<u>\$253,060</u>	<u>\$8,198,627</u>	<u>\$7,814,655</u>

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(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 87 percent 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 57 percent of revenue for governmental activities for the District in fiscal year 2011.

Instruction comprises 51% of governmental program expenses. Overall, instruction expenses increased \$1,062,735. The most significant increase in instructional expenses was in regular instruction, which increased \$819,929 in fiscal year 2011 from fiscal year 2010. This increase was primarily due to wage expense as a result of there being 27 pay dates during the fiscal year. Support services expenses were 38 percent of governmental program expenses and increased \$391,208 in fiscal year 2011 from fiscal year 2010. This increase was primarily due to wage expense as a result of there being 27 pay dates during the fiscal year. All other expenses including interest expense were 11 percent of governmental program expenses.

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	
	2011	2010	2011	2010
Instruction	\$23,759,804	\$22,697,069	\$22,332,339	\$21,271,185
Support Services:				
Pupil and Instructional Staff	3,928,006	3,845,672	3,145,586	2,891,795
School Administration, General Administration, Fiscal, and Business	4,603,746	4,835,233	4,603,746	4,835,233
Operation and Maintenance	5,923,342	5,218,286	5,779,549	5,098,119
Pupil Transportation	2,909,657	3,051,502	2,295,688	2,549,020
Central	263,809	286,659	263,809	286,659
Operation of Non-Instructional Services	588,767	387,419	71,162	(39,691)
Extracurricular Activities	1,229,591	1,277,864	988,123	1,161,680
Interest and Fiscal Charges	2,947,782	3,202,211	2,947,782	3,202,211
Total Expenses	<u>\$46,154,504</u>	<u>\$44,801,915</u>	<u>\$42,427,784</u>	<u>\$41,256,211</u>

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Business-Type Activities

Business-type activities include the food service operation, preschool and latchkey operations, and preschool grants. These programs had revenues of \$2,189,650 and expenses of \$2,242,125 for fiscal year 2011.

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 of \$46,851,645 and expenditures of \$47,272,877. The net change in fund balances for the year was a decrease of \$421,232.

The General Fund balance increased \$2,243,746. General Fund revenues increased \$5,610,909 due to a large increase in property tax revenue. This increase was due to passage of an operating levy in May 2010.

The Debt Service Fund balance decreased \$142,347 due to a decrease in taxes and entitlements received from the State. The decreases were due to reduced property values and reduced debt service payments.

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 2011, 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.

A review of the budgetary comparison statement for the General Fund reflects an increase of \$17,502 in revenues from the original budget to the final budget, which is insignificant.

The total increase in expenditures from the original to the final budget was \$90,325. This increase comprised of insignificant changes to several expenditure line items.

The difference in actual expenditures made from the final budget was substantial. Overall, expenditures decreased \$2,708,406 from the final budgeted amount, with the largest decrease in regular instruction. This decrease was primarily due to underspending in budgeted salaries, benefits, utilities and other departmental and building budget line items.

Actual General Fund expenditures and other financing uses were greater than revenues and other financing sources by \$503,863, which was anticipated and reflects the reasoning behind the District seeking an operating levy in May of 2010.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$53,881,401 invested in land, land improvements, buildings, equipment and vehicles. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$3,074,466	\$3,074,466	\$0	\$0	\$3,074,466	\$3,074,466
Land Improvements	1,441,530	1,564,262	687	1,045	1,442,217	1,565,307
Building and Improvements	46,978,546	48,024,434	54,855	56,615	47,033,401	48,081,049
Furniture and Equipment	1,614,384	1,944,769	305,701	324,789	1,920,085	2,269,558
Vehicles	411,232	507,442	0	0	411,232	507,442
Total Capital Assets	\$53,520,158	\$55,115,373	\$361,243	\$382,449	\$53,881,401	\$55,497,822

Net capital assets decreased from the prior fiscal year. The amount of depreciation was greater than the additions to capital assets, resulting in a net decrease for the fiscal year. The District continues its ongoing commitment to maintaining and improving its capital assets. For more information on the District's capital assets, see note 9 to the basic financial statements.

Debt

At June 30, 2011, the District had \$54,857,234 in bonds payable, \$1,169,718 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5
Outstanding Debt at June 30

	Governmental Activities	
	2011	2010
EPA Asbestos	\$14,718	\$29,457
School Improvement Bonds 1995	3,110,000	3,110,000
School Improvement Bonds 2005	17,839,034	18,051,638
School Improvement Bonds 2000	2,440,000	2,845,000
School Improvement Bonds 2003	4,220,000	4,530,000
School Improvement Bonds 2007	27,233,482	27,302,804
Capital Lease: Athletic Stadium	0	2,076,255
Total Outstanding Debt	\$54,857,234	\$57,945,154

For more information on the District's debt obligations, see note 14 to the basic financial statements.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(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 was 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 was 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, 2011*

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash, Cash Equivalents and Investments	\$13,176,132	\$201,981	\$13,378,113
Inventory Held for Resale	0	13,096	13,096
Accrued Interest Receivable	2,670	0	2,670
Accounts Receivable	17,923	2,029	19,952
Internal Balances	12,555	(12,555)	0
Intergovernmental Receivable	296,799	0	296,799
Property Taxes Receivable	29,815,616	0	29,815,616
Deferred Charges	373,714	0	373,714
Nondepreciable Capital Assets	3,074,466	0	3,074,466
Depreciable Capital Assets, Net	50,445,692	361,243	50,806,935
<i>Total Assets</i>	<u>97,215,567</u>	<u>565,794</u>	<u>97,781,361</u>
Liabilities			
Accounts Payable	569,607	25,697	595,304
Accrued Wages and Benefits	2,765,903	117,738	2,883,641
Intergovernmental Payable	705,816	96,760	802,576
Accrued Interest Payable	229,571	0	229,571
Matured Compensated Absences Payable	81,726	0	81,726
Unearned Revenue	26,437,134	0	26,437,134
Long-Term Liabilities:			
Due Within One Year	1,415,169	10,536	1,425,705
Due In More Than One Year	57,012,599	114,478	57,127,077
<i>Total Liabilities</i>	<u>89,217,525</u>	<u>365,209</u>	<u>89,582,734</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	589,793	361,243	951,036
Restricted for:			
Capital Projects	1,096,122	0	1,096,122
Debt Service	1,933,412	0	1,933,412
Other Purposes	119,219	0	119,219
Unrestricted (Deficit)	4,259,496	(160,658)	4,098,838
<i>Total Net Assets</i>	<u>\$7,998,042</u>	<u>\$200,585</u>	<u>\$8,198,627</u>

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction:						
Regular	\$18,749,227	\$509,357	\$55,449	(\$18,184,421)	\$0	(\$18,184,421)
Special	4,175,969	102,191	679,776	(3,394,002)	0	(3,394,002)
Student Intervention Services	834,608	20,317	60,375	(753,916)	0	(753,916)
Support Services:						
Pupil	2,133,490	0	228,411	(1,905,079)	0	(1,905,079)
Instructional Staff	1,794,516	0	554,009	(1,240,507)	0	(1,240,507)
General Administration	64,035	0	0	(64,035)	0	(64,035)
School Administration	3,471,632	0	0	(3,471,632)	0	(3,471,632)
Fiscal	908,749	0	0	(908,749)	0	(908,749)
Business	159,330	0	0	(159,330)	0	(159,330)
Operation and Maintenance of Plant	5,923,342	128,407	15,386	(5,779,549)	0	(5,779,549)
Pupil Transportation	2,909,657	0	613,969	(2,295,688)	0	(2,295,688)
Central	263,809	0	0	(263,809)	0	(263,809)
Operation of Non-Instructional Services	588,767	0	517,605	(71,162)	0	(71,162)
Extracurricular Activities	1,229,591	148,211	93,257	(988,123)	0	(988,123)
Interest and Fiscal Charges	2,947,782	0	0	(2,947,782)	0	(2,947,782)
<i>Total Governmental Activities</i>	<u>46,154,504</u>	<u>908,483</u>	<u>2,818,237</u>	<u>(42,427,784)</u>	<u>0</u>	<u>(42,427,784)</u>
Business-Type Activities						
Food Service	1,276,801	955,038	387,916	0	66,153	66,153
Latchkey/ Preschool	933,417	825,153	0	0	(108,264)	(108,264)
Preschool Grant	31,907	0	15,613	0	(16,294)	(16,294)
<i>Total Business-Type Activities</i>	<u>2,242,125</u>	<u>1,780,191</u>	<u>403,529</u>	<u>0</u>	<u>(58,405)</u>	<u>(58,405)</u>
<i>Totals</i>	<u>\$48,396,629</u>	<u>\$2,688,674</u>	<u>\$3,221,766</u>	<u>(\$42,427,784)</u>	<u>(\$58,405)</u>	<u>(\$42,486,189)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes				22,583,996	0	22,583,996
Debt Service				3,069,593	0	3,069,593
Capital Outlay				955,227	0	955,227
Grants and Entitlements not Restricted to Specific Programs				13,913,335	0	13,913,335
Payment in Lieu of Taxes				1,914,186	0	1,914,186
Unrestricted Contributions				58,205	0	58,205
Investment Earnings				14,959	43	15,002
Miscellaneous				354,730	5,887	360,617
<i>Total General Revenues</i>				<u>42,864,231</u>	<u>5,930</u>	<u>42,870,161</u>
Change in Net Assets				436,447	(52,475)	383,972
<i>Net Assets Beginning of Year</i>				<u>7,561,595</u>	<u>253,060</u>	<u>7,814,655</u>
<i>Net Assets End of Year</i>				<u>\$7,998,042</u>	<u>\$200,585</u>	<u>\$8,198,627</u>

See accompanying notes to the basic financial statements

Kings Local School District*Balance Sheet**Governmental Funds**June 30, 2011*

	<u>General</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash, Cash Equivalents and Investments	\$8,282,056	\$2,440,651	\$2,453,425	\$13,176,132
Accrued Interest Receivable	2,670	0	0	2,670
Accounts Receivable	9,287	3,636	5,000	17,923
Interfund Receivable	278,689	0	0	278,689
Intergovernmental Receivable	47,247	0	249,552	296,799
Property Taxes Receivable	25,467,151	3,325,347	1,023,118	29,815,616
<i>Total Assets</i>	<u>\$34,087,100</u>	<u>\$5,769,634</u>	<u>\$3,731,095</u>	<u>\$43,587,829</u>
Liabilities				
Accounts Payable	135,843	0	433,764	569,607
Accrued Wages	2,639,778	0	126,125	2,765,903
Intergovernmental Payable	704,017	0	1,799	705,816
Compensated Absences Payable	81,726	0	0	81,726
Interfund Payable	0	0	266,134	266,134
Unearned Revenue	23,158,621	3,020,494	1,032,374	27,211,489
<i>Total Liabilities</i>	<u>26,719,985</u>	<u>3,020,494</u>	<u>1,860,196</u>	<u>31,600,675</u>
Fund Balances				
Restricted	0	2,749,140	2,045,049	4,794,189
Assigned	543,070	0	0	543,070
Committed	11,000	0	0	11,000
Unassigned (deficit)	6,813,045	0	(174,150)	6,638,895
<i>Total Fund Balances</i>	<u>7,367,115</u>	<u>2,749,140</u>	<u>1,870,899</u>	<u>11,987,154</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$34,087,100</u>	<u>\$5,769,634</u>	<u>\$3,731,095</u>	<u>\$43,587,829</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, 2011*

Total Governmental Funds Balances		\$ 11,987,154
<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.		53,520,158
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds:		
Property Taxes	664,274	
Interest	919	
Intergovernmental	109,162	
		774,355
Governmental funds report issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities.		373,714
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	(54,857,234)	
Compensated Absences	(3,570,534)	
Accrued Interest Payable	(229,571)	
Total		(58,657,339)
<i>Net Assets of Governmental Activities</i>		<u>\$ 7,998,042</u>

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, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$22,580,483	\$3,204,127	\$1,012,514	\$26,797,124
Intergovernmental	13,280,031	419,346	3,004,745	16,704,122
Investment Earnings	12,400	0	4,587	16,987
Tuition and Fees	631,865	0	0	631,865
Rent	128,207	0	200	128,407
Extracurricular Activities	16,250	0	113,377	129,627
Payment in Lieu of Taxes	1,914,186	0	0	1,914,186
Charges for Services	18,584	0	0	18,584
Contributions and Donations	42,239	0	113,774	156,013
Miscellaneous	346,844	0	7,886	354,730
<i>Total Revenues</i>	<u>38,971,089</u>	<u>3,623,473</u>	<u>4,257,083</u>	<u>46,851,645</u>
Expenditures				
Current:				
Instruction:				
Regular	17,747,233	0	526,010	18,273,243
Special	3,539,262	0	506,182	4,045,444
Student Intervention Services	713,102	0	121,506	834,608
Support Services:				
Pupil	1,784,707	0	300,525	2,085,232
Instructional Staff	1,087,267	0	696,013	1,783,280
Board of Education	64,035	0	0	64,035
School Administration	3,458,498	0	6,500	3,464,998
Fiscal	904,976	33,319	17,459	955,754
Business	151,691	0	0	151,691
Operation and Maintenance of Plant	3,734,757	0	1,033,059	4,767,816
Pupil Transportation	2,262,223	0	525,967	2,788,190
Central	263,809	0	0	263,809
Operation of Non-Instructional Services	0	0	583,086	583,086
Extracurricular Activities	1,015,783	0	225,584	1,241,367
Debt Service:				
Principal Retirement	0	905,000	2,090,994	2,995,994
Interest and Fiscal Charges	0	2,827,501	146,829	2,974,330
<i>Total Expenditures</i>	<u>36,727,343</u>	<u>3,765,820</u>	<u>6,779,714</u>	<u>47,272,877</u>
<i>Net Change in Fund Balances</i>	2,243,746	(142,347)	(2,522,631)	(421,232)
<i>Fund Balances</i>				
<i>Beginning of Year - Restated Note 3</i>	<u>5,123,369</u>	<u>2,891,487</u>	<u>4,393,530</u>	<u>12,408,386</u>
<i>Fund Balances End of Year</i>	<u>\$7,367,115</u>	<u>\$2,749,140</u>	<u>\$1,870,899</u>	<u>\$11,987,154</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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$ (421,232)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	229,518	
Depreciation expense	(1,824,733)	
Total	(1,595,215)	(1,595,215)

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

Interest	(127)	
Grants	(72,259)	
Delinquent Property Taxes	(188,308)	
Total	(260,694)	(260,694)

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. 2,995,994

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	(29,650)	
Accreted Interest	(55,824)	
Premium	147,750	
Deferred Issuance Costs	(35,728)	
	26,548	26,548

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	(308,954)	
Total	(308,954)	(308,954)

Change in Net Assets of Governmental Activities \$ 436,447

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2011

	Budget Amounts		Actual	Variance With Final Budget Over/Under
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$21,510,118	\$21,510,118	\$21,511,245	\$1,127
Intergovernmental	13,614,216	13,614,216	13,224,032	(390,184)
Interest	50,000	50,000	22,800	(27,200)
Tuition and Fees	512,895	530,397	631,922	101,525
Rent	110,000	110,000	156,292	46,292
Extracurricular Activities	15,000	15,000	11,695	(3,305)
Customer Sales and Services	0	0	18,584	18,584
Payments in Lieu of Taxes	1,263,048	1,263,048	1,939,782	676,734
Miscellaneous	5,000	5,000	10,325	5,325
<i>Total Revenues</i>	37,080,277	37,097,779	37,526,677	428,898
<u>Expenditures</u>				
Current:				
Instruction:				
Regular	32,796,090	32,857,736	18,422,268	14,435,468
Special	483,175	483,175	3,756,690	(3,273,515)
Student Intervention Services	628,888	628,888	729,866	(100,978)
Support Services:				
Pupil	109,367	121,689	1,819,729	(1,698,040)
Instructional Staff	137,833	118,061	1,180,700	(1,062,639)
Board of Education	113,011	113,011	65,160	47,851
Administration	804,386	809,470	3,592,503	(2,783,033)
Fiscal	524,457	504,457	864,990	(360,533)
Business	26,464	15,464	190,474	(175,010)
Operation and Maintenance of Plant	1,871,038	1,891,256	3,855,663	(1,964,407)
Pupil Transportation	2,717,363	2,731,595	2,317,764	413,831
Central	226,660	248,205	298,053	(49,848)
Operation of Non-Instructional Services				
	0	0	1,600	(1,600)
Extracurricular Activities	56,176	62,226	781,367	(719,141)
<i>Total Expenditures</i>	40,494,908	40,585,233	37,876,827	2,708,406
Excess of Revenues Under Expenditures	(3,414,631)	(3,487,454)	(350,150)	3,137,304
<u>Other Financing Sources (Uses)</u>				
Refund of Prior Year Expenditures	0	0	52,376	52,376
Advances In	150,000	150,000	82,935	(67,065)
Advances Out	(15,000)	(15,398)	(289,024)	(273,626)
<i>Total Other Financing Sources (Uses)</i>	135,000	134,602	(153,713)	(288,315)
<i>Net Change in Fund Balance</i>	(3,279,631)	(3,352,852)	(503,863)	2,848,989
<i>Fund Balance at Beginning of Year</i>	7,759,546	7,759,546	7,759,546	0
<i>Prior Year Encumbrances Appropriated</i>	396,635	396,635	396,635	0
<i>Fund Balance at End of Year</i>	\$4,876,550	\$4,803,329	\$7,652,318	\$2,848,989

See accompanying notes to the basic financial statements

Kings Local School District

Statement of Net Assets

Enterprise Funds

June 30, 2011

	<u>Other Enterprise Funds</u>
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 201,981
Accounts Receivable	2,029
Inventory Held for Resale	<u>13,096</u>
<i>Total Current Assets</i>	217,106
<i>Noncurrent Assets:</i>	
<i>Capital Assets:</i>	
Depreciable Capital Assets, Net	<u>361,243</u>
<i>Total Assets</i>	<u>578,349</u>
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	25,697
Accrued Wages and Benefits	117,738
Intergovernmental Payable	96,760
Compensated Absences Payable	10,536
Interfund Payable	<u>12,555</u>
<i>Total Current Liabilities</i>	263,286
<i>Long-Term Liabilities:</i>	
Compensated Absences Payable	<u>114,478</u>
<i>Total Liabilities</i>	<u>377,764</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	361,243
Unrestricted (Deficit)	<u>(160,658)</u>
<i>Total Net Assets</i>	<u>\$ 200,585</u>

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the Fiscal Year Ended June 30, 2011

	Other Enterprise Funds
Operating Revenues	
Tuition	\$825,153
Sales	955,038
Other Revenues	1,513
<i>Total Operating Revenues</i>	1,781,704
Operating Expenses	
Salaries	1,072,933
Fringe Benefits	536,666
Purchased Services	17,685
Materials and Supplies	537,090
Depreciation	45,158
Other	32,593
<i>Total Operating Expenses</i>	2,242,125
<i>Operating Loss</i>	(460,421)
Non-Operating Revenues (Expenses)	
Federal Donated Commodities	43,838
Interest	43
Federal and State Subsidies	359,691
Other	4,374
<i>Total Non-Operating Revenues (Expenses)</i>	407,946
<i>Net Change in Net Assets</i>	(52,475)
<i>Net Assets at Beginning of Year</i>	253,060
<i>Net Assets at End of Year</i>	\$200,585

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Cash Flows
Enterprise Funds
For the Fiscal Year Ended June 30, 2011

	Other Enterprise Funds
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 1,804,896
Cash Payments to Employees for Services	(1,123,291)
Cash Payments for Employee Benefits	(544,638)
Cash Payments for Goods and Services	(546,650)
Other Non-Operating Revenues	4,374
Other Operating Revenue	1,513
<i>Net Cash Used in Operating Activities</i>	<i>(403,796)</i>
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	417,409
Short Term Loans Borrowed from Other Funds	12,555
Short Term Loans Paid back to Other Funds	(484)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>429,480</i>
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(23,952)
Cash Flows from Investing Activities	
Interest on Investments	43
<i>Net Increase in Cash and Cash Equivalents</i>	<i>1,775</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>200,206</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>201,981</i>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Loss	(460,421)
Adjustments:	
Depreciation	45,158
Donated Commodities	43,838
Non-operating Revenues	4,374
(Increase) Decrease in Assets:	
Intergovernmental Receivable	10,119
Inventory Held for Resale	4,582
Accounts Receivable	14,586
Increase (Decrease) in Liabilities:	
Accounts Payable	(4,520)
Accrued Wages and Benefits	(39,788)
Compensated Absences Payable	(10,570)
Intergovernmental Payable	(7,972)
Unearned Revenue	(3,182)
<i>Net Cash Used in Operating Activities</i>	<i>\$ (403,796)</i>

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 78,363</u>
<i>Total Assets</i>	<u><u>78,363</u></u>
Liabilities	
Due to Students	<u>78,363</u>
<i>Total Liabilities</i>	<u><u>\$ 78,363</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, 2011

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.

Parochial School - Within the School District's boundaries, St. Margaret of York and The Goddard School are operated as a private schools. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reflected as a nonmajor special revenue fund and as part of governmental activities for financial reporting purposes.

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 20 and 21 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) guidance 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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.

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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

Proprietary Funds

The proprietary funds focus on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

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

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The Statement of Activities reports increases (e.g., revenues) and decreases (e.g., expenses) in net total 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 Proprietary 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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 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 interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 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 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 2011, the District's investments were limited to US Agency securities, money market funds, the State Treasury Asset Reserve of Ohio (STAR Ohio) and Treasury Bills.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2011.

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 District recorded investments held at June 30, 2011 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 2011 amounted to \$12,400.

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 and Equipment	5 - 15 years	5 - 15 years
Vehicles	5 - 15 years	5 - 15 years

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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, 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.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees are paid. The remaining portion of the liability is not reported.

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, compensated absences, 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, bonds, and capital leases are recognized as a liability on the governmental fund financial statements when due.

K. Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

In the government-wide financial statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. The liability for capital appreciation bonds is increased each year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable, whereas issuance costs are reported as deferred charges.

On the governmental fund financial statements, bond premiums and issuance costs are recognized in the period when the debt is issued. Interest on capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

As permitted by State statute, the District paid bond issuance costs from the bond proceeds and therefore, does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element prevents one classification from being overstated while another is understated by the same amount.

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.

Net assets restricted for other purposes include federal and State grants restricted to expenditures for specified purposes.

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

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 non-operating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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.

Q. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of 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 amounts 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 a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 - Summary of Significant Accounting Policies (continued)

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

Note 3 – Change in Accounting Principles

The District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

	General Fund	Other Governmental Funds
Fund Balance, June 30, 2010, as previously reported	\$4,861,601	\$4,655,298
Reclassification of Funds	261,768	(261,768)
Fund Balance, June 30, 2010, as restated	\$5,123,369	\$4,393,530

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Other Governmental Funds	Total
<i>Restricted for</i>				
Debt Payment	\$0	\$2,749,140	\$0	\$2,749,140
Miscellaneous Grants	0	0	76,500	76,500
Capital Projects	0	0	1,968,549	1,968,549
<i>Total Restricted</i>	0	2,749,140	2,045,049	4,794,189
<i>Committed to</i>				
Underground Storage Tank	11,000	0	0	11,000
<i>Assigned to</i>				
Other Purposes	543,070	0	0	543,070
<i>Unassigned (Deficit)</i>	6,813,045	0	(174,150)	6,638,895
<i>Total Fund Balances</i>	\$7,367,115	\$2,749,140	\$1,870,899	\$11,987,154

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 5 - Budgetary Basis of Accounting

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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund 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 that:

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 (budget basis) rather than as a restricted, committed, or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to Balance Sheet transactions (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$2,243,746
Adjustments:	
Revenue Accruals	(1,392,036)
Expenditure Accruals	(792,312)
Encumbrances	(357,172)
Advances	(206,089)
Budget Basis	<u><u>(\$503,863)</u></u>

Note 6 – 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 – Cash and Cash Equivalents and Investments (continued)

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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

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 \$10,428,250. 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 – Cash and Cash Equivalents and Investments (continued)

Investments

At June 30, 2011, the District’s investment balance was as follows:

	<u>Fair Value</u>	<u>Maturity</u>	Percent of Total Investments
STAROhio	\$1,887,527	N/A	45.86%
Federal Home Loan Bank Notes	876,074	Less than two years	21.28%
Federal Home Loan Bank Discount Note	149,999	Less than one year	3.64%
Federal Home Loan Mortgage Corporation Note	100,796	Less than two years	2.45%
Federal National Mortgage Association Note	250,082	Less than two years	6.08%
Federal Home Loan Mortgage Corporation Discount Note	249,985	Less than one year	6.07%
Federal National Mortgage Association Note	241,692	Less than one year	5.87%
US Treasury Bill	359,979	Less than one year	8.75%
Total Investments	<u>\$4,116,134</u>		

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 District’s investments in US Agency Notes and Discount Notes were rated AAA by Standard & Poor’s and Aaa 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 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 46% in STAR Ohio, 35% in US Agency Notes, 10% in US Agency Discount Notes, and 9% in US Treasury Bills. The District’s investment policy does not address this risk.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and certain tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 7 - Property Taxes (continued)

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Warren County. The Warren 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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at

June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30, 2011, was \$1,975,489 in the General Fund, \$304,853 in the Debt Service Fund and \$99,906 in the Permanent Improvement Fund.

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

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second - Half Collections		2011 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Agricultural/Residential and Other Real Estate	\$689,165,380	97.75%	\$691,907,320	98.08%
Public Utility Personal	14,711,270	2.09%	13,528,590	1.92%
General Business Personal	1,133,220	0.16%	0	0.00%
Total Assessed Value	<u>\$705,009,870</u>	<u>100.00%</u>	<u>\$705,435,910</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$67.93		\$70.33	

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 8 - Receivables

Receivables at June 30, 2011, 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. All receivable amounts, except delinquent property taxes, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. A list of the District's intergovernmental receivables follows:

	Amount
Governmental Activities:	
Education Jobs Grant	\$32,024
Idea Part B Grant	151,589
Title I Grant	54,903
Improving Teacher Quality Grant	11,036
Miscellaneous Refund	47,247
Total Intergovernmental Receivables	\$296,799

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance at 6/30/10	Additions	Deductions	Balance at 6/30/11
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$3,074,466	\$0	\$0	\$3,074,466
Capital Assets Being Depreciated:				
Land Improvements	4,394,817	6,162	0	4,400,979
Buildings and Improvements	63,896,893	163,635	0	64,060,528
Furniture and Equipment	2,525,853	59,721		2,585,574
Vehicles	2,322,264	0	0	2,322,264
Totals Capital Assets Being Depreciated	73,139,827	229,518	0	73,369,345
Less Accumulated Depreciation:				
Land Improvements	(2,830,555)	(128,894)	0	(2,959,449)
Buildings and Improvements	(15,872,459)	(1,209,523)	0	(17,081,982)
Furniture and Equipment	(581,084)	(390,106)	0	(971,190)
Vehicles	(1,814,822)	(96,210)	0	(1,911,032)
Total Accumulated Depreciation	(21,098,920)	(1,824,733)	0	(22,923,653)
Total Capital Assets Being Depreciated, Net	52,040,907	(1,595,215)	0	50,445,692
Governmental Activities Capital Assets, Net	\$55,115,373	(\$1,595,215)	\$0	\$53,520,158

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$274,180
Special		45,116
Support Services:		
Instructional Staff		690
School Administration		4,261
Fiscal		1,914
Operation and Maintenance of Plant		1,352,761
Pupil Transportation		133,850
Operation of Non-Instructional Services		8,936
Extracurricular Activities		3,025
Total Depreciation Expense		\$1,824,733

	Balance 6/30/10	Additions	Deductions	Balance 6/30/11
<u>Business-Type Activity:</u>				
Capital Assets, Being Depreciated:				
Land Improvements	\$7,708	\$0	\$0	\$7,708
Buildings and Improvements	83,070	0	0	83,070
Furniture and Equipment	563,954	23,952	0	587,906
Total Capital Assets, Being Depreciated	654,732	23,952	0	678,684
Less Accumulated Depreciation:				
Land Improvements	(6,663)	(358)	0	(7,021)
Buildings and Improvements	(26,455)	(1,760)	0	(28,215)
Furniture and Equipment	(239,165)	(43,040)	0	(282,205)
Total Accumulated Depreciation	(272,283)	(45,158)	0	(317,441)
Business-Type Activity				
Capital Assets, Net	\$382,449	(\$21,206)	\$0	\$361,243

Depreciation expense of \$43,040 and \$2,118 was charged to the Food Service and Latchkey/Preschool Funds, respectively.

Note 10 - Interfund Assets/Liabilities

Interfund transactions at June 30, 2011, consisted of the following:

		Receivable General Fund
Payable	All Other Governmental Funds	\$266,134
	All Other Enterprise Funds	12,555
	Total	\$278,689

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10 - Interfund Assets/Liabilities (continued)

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the special revenue funds and enterprise funds.

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description – The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, 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 s an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$2,531,965, \$2,567,119 and \$2,476,411, respectively; 83.61 percent has been contributed for fiscal year 2011 with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

B. School Employees Retirement System

Plan Description – The District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 11 - Defined Benefit Pension Plans (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$753,705, \$690,072 and \$691,529, respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

Note 12 - 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care 204 Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$194,767, \$183,366 and \$176,886, 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income, 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 2011, the actuarially required allocation was .76%. Kings Local School District contributions for the years ended June 30, 2011, 2010, and 2009 were \$48,503, \$37,461 and \$37,046, respectively, which equaled the required contributions each year.

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, 2011, the health care allocation is 1.43%.

Note 12 - 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 2011, 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. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$91,261, \$22,674 and \$205,483, 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 for 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 13 - 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, 2011

Note 14 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds and Loans Payable:					
1995 School Improvement 5.86%	\$3,110,000	\$0	\$0	3,110,000	\$340,000
1993 EPA Asbestos Loan	29,457	0	14,739	14,718	14,718
2000 School Improvement 5.47%	2,845,000	0	405,000	2,440,000	485,000
2003 School Improvement 4.25%	4,530,000	0	310,000	4,220,000	120,000
2005 School Improvement 3.05%					0
Term and Serial Bonds	15,675,000	0	160,000	15,515,000	110,000
Premium	1,654,852	0	103,428	1,551,424	0
Capital Appreciation Bond	120,000	0	5,000	115,000	25,000
Interest Accretion	601,786	165,824	110,000	657,610	0
2007 School Improvement 4.13%					0
Term and Serial Bonds	26,505,000	0	25,000	26,480,000	75,000
Premium	797,804	0	44,322	753,482	0
Compensated Absences	3,261,580	743,149	434,195	3,570,534	245,451
Capital Leases	2,076,255	0	2,076,255	0	0
Total Governmental Activities Long-Term Obligations	<u>\$61,206,734</u>	<u>\$908,973</u>	<u>\$3,687,939</u>	<u>\$58,427,768</u>	<u>\$1,415,169</u>
	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amounts Due in One Year
<u>Business Type Activities:</u>					
Compensated Absences	<u>\$135,584</u>	<u>\$7,776</u>	<u>\$18,346</u>	<u>\$125,014</u>	<u>\$10,536</u>

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 2012 to 2033. The interest rates vary from 3.05% to 5.86%.

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

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 capital projects fund.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 14 - Long-Term Obligations (continued)

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

Fiscal Year Ending June 30,	GO Bonds and Loans Payable		
	Principal	Interest	Total
2012	\$1,169,718	\$2,707,443	\$3,877,161
2013	1,345,000	2,643,784	3,988,784
2014	1,790,000	2,552,839	4,342,839
2015	2,040,000	2,450,520	4,490,520
2016	1,555,000	3,107,103	4,662,103
2017-2021	15,455,000	10,038,672	25,493,672
2022-2026	14,885,000	6,493,250	21,378,250
2027-2031	7,900,000	2,465,000	10,365,000
2032-2034	5,755,000	441,124	6,196,124
Total	\$51,894,718	\$32,899,735	\$84,794,453

Note 15 – 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 16 – 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. Principal payments of \$2,076,255 were made during fiscal year 2011. The final payment on the lease was made during fiscal year 2011.

Note 17 – 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 17 – Set-Asides (Continued)

	Textbooks	Capital Acquisition
Set-aside Balance as of June 30, 2010	(\$1,698,800)	\$0
Current Fiscal Year Set-aside Requirement	\$569,561	\$569,561
Qualifying Disbursements	(\$680,600)	(\$1,009,460)
Totals	(\$1,809,839)	(\$439,899)
 Set-aside Balance as of June 30, 2011	 (\$1,809,839)	 \$0

Note 18 - 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, 2011.

B. Litigation

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

Note 19 – 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 2011, the District contracted with Indiana Insurance for fleet insurance and liability insurance. Property is also protected by Indiana Insurance.

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 2011, the District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund.” This “equity pooling” arrangement ensures that each participant shares equally in the overall performance of the GRP.

Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Integrated Comp. Management, Inc. provides administrative, cost control and actuarial services to the GRP.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 20 – Jointly Governed Organizations

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

Warren County Career Center – The Warren County Career Center is a distinct political subdivision of the State of Ohio. It is operated under the direction of a Board consisting of one of the elected board members from each of the participating school districts, including one member from the Kings Local School District Board of Education. Warren County Career Center was formed for the purpose of providing vocational education opportunities to the students of the District. Financial information can be obtained from Bill Shepherd, who serves as Director, at 3525 State Route 48, Lebanon, Ohio 45036.

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

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

Note 21 – 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 22 – Accountability

At June 30, 2011, the Education Jobs, Idea B, Title I, Improving Teacher Quality, and Miscellaneous Grants Special Revenue Funds had deficit fund balances of \$48,359, \$38,271, \$28,443, \$5,374, and \$53,703, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Kings Local School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2011

<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>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution):</i>				
National School Lunch Program	N/A	10.555	43,838	43,838
<i>Cash Assistance</i>				
School Breakfast Program	05PU-2010	10.553	50,538	50,538
National School Lunch Program	LLP4-2010	10.555	326,710	326,710
Nutrition Cluster Total			<u>421,086</u>	<u>421,086</u>
Total U.S. Department of Agriculture			<u>421,086</u>	<u>421,086</u>
<u>U.S. Department of Justice:</u>				
<i>(Passed through Warren County Sherriff's Office)</i>				
Public Safety Partnership and Community Policing Grants	N/A	16.710	-	53,702
Total U.S. Department of Justice			<u>-</u>	<u>53,702</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
ARRA - State Fiscal Stabilization Fund	ARRA - 2011	84.394	526,473	526,473
Title I Grants to Local Educational Agencies	C1S1-2010	84.010	23,763	20,796
Title I Grants to Local Educational Agencies	C1S1-2011	84.010	227,635	252,635
			<u>251,398</u>	<u>273,431</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2010	84.027	155,452	130,369
Special Education - Grants to States	6BSF-2011	84.027	718,617	791,526
Special Education - Preschool Grants	PGS1-2010	84.173	2,622	2,138
Special Education - Preschool Grants	PGS1-2011	84.173	16,087	16,087
ARRA - Special Education - Grants to States	6BSF-2010	84.391	113,956	113,511
ARRA - Special Education - Grants to States	6BSF-2011	84.391	44,807	44,807
ARRA - Special Education - Preschool Grants	PGS1-2011	84.392	15,000	21,558
Special Education Cluster Total			<u>1,066,541</u>	<u>1,119,996</u>
Safe and Drug-Free Schools and Communities	DRS1-2011	84.186	2,216	2,266
Education Jobs Fund	ARRA-2011	84.410	239,546	271,569
Education Technology State Grants	TJS1-2011	84.318	1,002	1,102
English Language Acquisition Grants	T3S1-2010	84.365	17,723	18,345
English Language Acquisition Grants	T3S1-2011	84.365	17,612	17,612
			<u>35,335</u>	<u>35,957</u>
Improving Teacher Quality State Grants	TRS1-2010	84.367	36,065	35,569
Improving Teacher Quality State Grants	TRS1-2011	84.367	101,204	105,054
			<u>137,269</u>	<u>140,623</u>
Total U.S. Department of Education			<u>2,259,780</u>	<u>2,371,417</u>
Total Federal Awards			<u>\$ 2,680,866</u>	<u>2,846,205</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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Kings Local School District ("District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2011 wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 District, in a separate letter dated December 29, 2011.

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

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 these specified parties.

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co.".

Cincinnati, Ohio
December 29, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Kings Local School District:

Compliance

We have audited Kings Local School District's ("District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The 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 District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the 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 District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 these specified parties.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
December 29, 2011

KINGS LOCAL SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued :	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to financial statements noted?	no

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	no
Identification of major programs:	
• <i>CFDA 84.394 – ARRA-State Fiscal Stabilization Fund</i>	
• <i>CFDA 84.410 – Education Jobs Fund</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

2011-1 **Audit Adjustments**

Condition – Throughout the year, the 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. During the course of our audit, we identified three misstatements in the financial statements that were not initially identified by the District's internal control over financial reporting. The misstatements identified include:

- **Taxes Receivable** – Adjustments of \$2,737,774 in the General Fund and \$346,106 in the Other Governmental Funds were made to exclude homestead and rollbacks from taxes receivable recorded as of June 30, 2011;
- **Accounts Payable** – An adjustment of \$169,498 in the Other Governmental Funds was made to exclude fiscal year 2012 invoices that were improperly included with fiscal year 2011 accounts payable as of June 30, 2011;
- **Intergovernmental Payable** – An adjustment of \$73,748 was made in Business-Type Activities to account for SERS arrearage liability outstanding at June 30, 2011.

Recommendation – We recommend the District enhance its internal controls over financial reporting with steps such as management's review of conversion documentation for completeness and accuracy and improved communication with its hired consultants to ensure the preparation of reliable financial statements in conformity with generally accepted accounting principles.

Management's response: Management concurs.

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV – Schedule of Prior Audit Findings

None noted.

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 18, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Education 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, 2011

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Dave Yost • Auditor of State

KINGS LOCAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2012**