



KINGS LOCAL SCHOOL DISTRICT

Basic Financial Statements

Year Ended June 30, 2012

With Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Kings Local School District, Warren County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 through June 30, 2012. 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

January 28, 2013

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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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

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our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 20, 2012

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The discussion and analysis of Kings Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School 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 School District's performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets increased \$633,334. Net assets of governmental activities increased \$426,210, and net assets of business-type activities increased \$207,124 from fiscal year 2011. The increase in net assets of governmental activities was due to a decrease in operating expenses.
- Total assets of governmental activities decreased by \$720,008 due mainly to a large decrease in capital assets of \$1,292,111.
- General revenues of governmental activities accounted for \$42,578,091 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 \$3,534,654 or 8 percent of total revenues of \$46,112,745.

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 School 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 School District, presenting both an aggregate view of the School 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 School 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 School District.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" 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 School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School 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 School 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 School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School 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 School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

Governmental Funds Most of the School 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 School 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, 2012
(Unaudited)

Reporting the School District as a Whole

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

Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

(Table 1)
Net Assets

| | Governmental Activities | | Business-Type Activity | | Total | |
|--|-------------------------|--------------|------------------------|-----------|--------------|--------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Assets | | | | | | |
| Current and other Assets | \$44,267,512 | \$43,695,409 | \$401,187 | \$204,551 | \$44,668,699 | \$43,899,960 |
| Capital Assets, Net | 52,228,047 | 53,520,158 | 316,410 | 361,243 | 52,544,457 | 53,881,401 |
| Total Assets | 96,495,559 | 97,215,567 | 717,597 | 565,794 | 97,213,156 | 97,781,361 |
| Liabilities | | | | | | |
| Other Liabilities | 30,708,783 | 30,789,757 | 171,000 | 240,195 | 30,879,783 | 31,029,952 |
| Long-Term Liabilities | 57,308,524 | 58,427,768 | 138,888 | 125,014 | 57,447,412 | 58,552,782 |
| Total Liabilities | 88,017,307 | 89,217,525 | 309,888 | 365,209 | 88,327,195 | 89,582,734 |
| Net Assets | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 272,394 | 589,793 | 316,410 | 361,243 | 588,804 | 951,036 |
| Restricted | 2,933,787 | 3,148,753 | 0 | 0 | 2,933,787 | 3,148,753 |
| Unrestricted (Deficit) | 5,218,071 | 4,259,496 | 91,299 | (160,658) | 5,309,370 | 4,098,838 |
| Total Net Assets | \$8,424,252 | \$7,998,042 | \$407,709 | \$200,585 | \$8,831,961 | \$8,198,627 |

For Governmental Activities, total assets decreased \$720,008. Current and Other Assets increased \$572,103 due to cash and cash equivalents. Cash and cash equivalent increased due the School District's ability to keep expenses below decreasing revenues. Capital assets decreased \$1,292,111 due to depreciation exceeding additions during the fiscal year.

For Governmental Liabilities, total liabilities decreased \$1,200,218. Long-term liabilities decreased \$1,119,244 largely due to current year debt service payments.

Total net assets of the School District's business-type activities increased by \$207,124. The most significant change in business-type activities was in the Food Service Fund. Expenses and consequently charges for services increased proportionately to each other while the federal and state subsidies increased significantly over fiscal year 2011.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Table 2 shows the change in net assets for fiscal year 2012 as compared to fiscal year 2011.

Table 2
Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|--------------------|--------------------------|------------------|--------------------|--------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2012 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$1,021,345 | \$908,483 | \$1,913,448 | \$1,780,191 | \$2,934,793 | \$2,688,674 |
| Operating Grants | 2,513,309 | 2,818,237 | 486,533 | 403,529 | 2,999,842 | 3,221,766 |
| General Revenues: | | | | | | |
| Property Taxes | 26,970,679 | 26,608,816 | 0 | 0 | 26,970,679 | 26,608,816 |
| Grants and Entitlements | 13,267,847 | 13,913,335 | 0 | 0 | 13,267,847 | 13,913,335 |
| Other | 2,339,565 | 2,342,080 | 3,565 | 5,930 | 2,343,130 | 2,348,010 |
| Total Revenues | <u>46,112,745</u> | <u>46,590,951</u> | <u>2,403,546</u> | <u>2,189,650</u> | <u>48,516,291</u> | <u>48,780,601</u> |
| Expenses: | | | | | | |
| Instruction | 23,422,557 | 23,759,804 | 0 | 0 | 23,422,557 | 23,759,804 |
| Support Services: | | | | | | |
| Pupil and Instructional Staff | 3,621,203 | 3,928,006 | 0 | 0 | 3,621,203 | 3,928,006 |
| School Administration, Board of Education, Fiscal, and Business | 4,773,692 | 4,603,746 | 0 | 0 | 4,773,692 | 4,603,746 |
| Operation and Maintenance | 5,679,855 | 5,923,342 | 0 | 0 | 5,679,855 | 5,923,342 |
| Pupil Transportation | 3,209,251 | 2,909,657 | 0 | 0 | 3,209,251 | 2,909,657 |
| Central | 262,560 | 263,809 | 0 | 0 | 262,560 | 263,809 |
| Operation of Non-Instructional Services | 454,284 | 588,767 | 0 | 0 | 454,284 | 588,767 |
| Extracurricular Activities | 1,657,618 | 1,229,591 | 0 | 0 | 1,657,618 | 1,229,591 |
| Interest and Fiscal Charges | 2,605,515 | 2,947,782 | 0 | 0 | 2,605,515 | 2,947,782 |
| Food Service | 0 | 0 | 1,294,367 | 1,276,801 | 1,294,367 | 1,276,801 |
| Preschool/Latchkey | 0 | 0 | 867,879 | 933,417 | 867,879 | 933,417 |
| Preschool Grant | 0 | 0 | 34,176 | 31,907 | 34,176 | 31,907 |
| Total Expenses | <u>45,686,535</u> | <u>46,154,504</u> | <u>2,196,422</u> | <u>2,242,125</u> | <u>47,882,957</u> | <u>48,396,629</u> |
| Change in Net Assets | 426,210 | 436,447 | 207,124 | (52,475) | 633,334 | 383,972 |
| Beginning 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> |
| Ending Net Assets | <u>\$8,424,252</u> | <u>\$7,998,042</u> | <u>\$407,709</u> | <u>\$200,585</u> | <u>\$8,831,961</u> | <u>\$8,198,627</u> |

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Governmental Activities

The School 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 School District's revenues for governmental activities.

The School 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 58 percent of revenue for governmental activities for the School District in fiscal year 2012.

Instruction, support services, Operation of non-instructional services, extracurricular activities and interest and fiscal charges comprises 51 percent, 38 percent, one percent, four percent and six percent, respectively, of governmental program expenses. Overall, expenses decreased \$467,969. Instruction expense had the most significant decrease of \$337,247. Regular instruction experienced the largest decrease from fiscal year 2011 at \$867,336. The decrease in expenses is primarily due to the School District having an extra pay date in fiscal year 2011. Normally, the School District only has 26 pay dates in a fiscal year but in 2011 there were 27 pay dates.

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 | |
|---|------------------------|---------------------|----------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 |
| Instruction | \$23,422,557 | \$23,759,804 | \$21,770,623 | \$22,332,339 |
| Support Services: | | | | |
| Pupil and Instructional Staff | 3,621,203 | 3,928,006 | 2,948,096 | 3,145,586 |
| School Administration, Board of Education, Fiscal, and Business | 4,773,692 | 4,603,746 | 4,767,876 | 4,603,746 |
| Operation and Maintenance | 5,679,855 | 5,923,342 | 4,837,100 | 5,779,549 |
| Pupil Transportation | 3,209,251 | 2,909,657 | 3,142,573 | 2,295,688 |
| Central | 262,560 | 263,809 | 262,560 | 263,809 |
| Operation of Non-Instructional Services | 454,284 | 588,767 | 434,561 | 71,162 |
| Extracurricular Activities | 1,657,618 | 1,229,591 | 1,382,977 | 988,123 |
| Interest and Fiscal Charges | 2,605,515 | 2,947,782 | 2,605,515 | 2,947,782 |
| Total Expenses | <u>\$45,686,535</u> | <u>\$46,154,504</u> | <u>\$42,151,881</u> | <u>\$42,427,784</u> |

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Business-Type Activities

Business-type activities include the food service operation, preschool and latchkey operations, and preschool grants. These programs had revenues of \$2,403,546 and expenses of \$2,196,422 for fiscal year 2012.

The School District's Funds

Information about the School 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 \$46,064,840 and expenditures of \$45,495,749. The net change in fund balances for the year was an increase of \$569,091.

The General Fund balance increased \$1,007,992. General Fund revenues increased \$97,437 and expenditure increased \$1,333,191.

The Debt Service Fund balance decreased \$409,400 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 School 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 2012, the School District amended its General Fund budget numerous times. The School 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 School 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 no increase in revenues from the original budget to the final budget.

The total increase in expenditures from the original to the final budget was \$101,817. This increase comprised insignificant changes to several expenditure line items.

The difference in actual expenditures made from the final budget was substantial. Overall, expenditures increased \$3,654,750 from the final budgeted amount, with the largest increase in special instruction. This increase was primarily due to under appropriating in budgeted benefits line items.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$52,544,457 invested in land, construction in progress, land improvements, buildings, equipment and vehicles. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land | \$3,074,466 | \$3,074,466 | \$0 | \$0 | \$3,074,466 | \$3,074,466 |
| Construction-in-progress | 273,635 | 0 | 0 | 0 | 273,635 | 0 |
| Land Improvements | 1,314,568 | 1,441,530 | 329 | 687 | 1,314,897 | 1,442,217 |
| Building and Improvements | 45,913,398 | 46,978,546 | 52,349 | 54,855 | 45,965,747 | 47,033,401 |
| Furniture and Equipment | 1,317,033 | 1,614,384 | 263,732 | 305,701 | 1,580,765 | 1,920,085 |
| Vehicles | 334,947 | 411,232 | 0 | 0 | 334,947 | 411,232 |
| Total Capital Assets | \$52,228,047 | \$53,520,158 | \$316,410 | \$361,243 | \$52,544,457 | \$53,881,401 |

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 School District continues its ongoing commitment to maintaining and improving its capital assets. For more information on the School District's capital assets, see note 9 to the basic financial statements.

Debt

At June 30, 2012, the School District had \$53,567,669 in bonds payable, \$1,345,000 due within one year. Table 5 summarizes bonds and capital leases outstanding at year end.

Table 5
Outstanding Debt at June 30

| | Governmental Activities | |
|-------------------------------|-------------------------|---------------------|
| | 2012 | 2011 |
| EPA Asbestos | \$0 | \$14,718 |
| School Improvement Bonds 1995 | 2,770,000 | 3,110,000 |
| School Improvement Bonds 2005 | 17,628,509 | 17,839,034 |
| School Improvement Bonds 2000 | 1,955,000 | 2,440,000 |
| School Improvement Bonds 2003 | 4,100,000 | 4,220,000 |
| School Improvement Bonds 2007 | 27,114,160 | 27,233,482 |
| Total Outstanding Debt | \$53,567,669 | \$54,857,234 |

For more information on the School 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, 2012
(Unaudited)

For the Future

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the School District. Management must plan expenses accordingly, staying within the School 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 School 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 was eliminated in 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 School District due to the phasing out of the tax. In calendar years 2006-2010, the School 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 School District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the School District's finances, the School District's management is confident that the School District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School 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, 2012*

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|--------------------|
| Assets | | | |
| Equity in Pooled Cash, Cash Equivalents and Investments | \$14,063,824 | \$393,342 | \$14,457,166 |
| Inventory Held for Resale | 0 | 8,845 | 8,845 |
| Accrued Interest Receivable | 478 | 0 | 478 |
| Accounts Receivable | 5,337 | 0 | 5,337 |
| Internal Balances | 9,535 | (9,535) | 0 |
| Intergovernmental Receivable | 667,073 | 8,535 | 675,608 |
| Property Taxes Receivable | 27,591,758 | 0 | 27,591,758 |
| Payment in Lieu of Taxes Receivable | 1,577,547 | 0 | 1,577,547 |
| Deferred Charges | 351,960 | 0 | 351,960 |
| Nondepreciable Capital Assets | 3,348,101 | 0 | 3,348,101 |
| Depreciable Capital Assets, Net | 48,879,946 | 316,410 | 49,196,356 |
| <i>Total Assets</i> | <u>96,495,559</u> | <u>717,597</u> | <u>97,213,156</u> |
| Liabilities | | | |
| Accounts Payable | 606,414 | 709 | 607,123 |
| Accrued Wages and Benefits | 2,457,185 | 93,272 | 2,550,457 |
| Intergovernmental Payable | 728,171 | 77,019 | 805,190 |
| Accrued Interest Payable | 225,736 | 0 | 225,736 |
| Matured Compensated Absences Payable | 103,705 | 0 | 103,705 |
| Unearned Revenue | 26,641,572 | 0 | 26,641,572 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 1,698,868 | 13,867 | 1,712,735 |
| Due In More Than One Year | 55,609,656 | 125,021 | 55,734,677 |
| <i>Total Liabilities</i> | <u>88,071,307</u> | <u>309,888</u> | <u>88,381,195</u> |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 272,394 | 316,410 | 588,804 |
| Restricted for: | | | |
| Capital Projects | 1,176,604 | 0 | 1,176,604 |
| Debt Service | 1,487,880 | 0 | 1,487,880 |
| Other Purposes | 269,303 | 0 | 269,303 |
| Unrestricted | 5,218,071 | 91,299 | 5,309,370 |
| <i>Total Net Assets</i> | <u>\$8,424,252</u> | <u>\$407,709</u> | <u>\$8,831,961</u> |

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

| | 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 | \$17,881,891 | \$560,140 | \$41,333 | (\$17,280,418) | \$0 | (\$17,280,418) |
| Special | 4,603,859 | 132,902 | 746,224 | (3,724,733) | 0 | (3,724,733) |
| Student Intervention Services | 936,807 | 25,647 | 145,688 | (765,472) | 0 | (765,472) |
| Support Services: | | | | | | |
| Pupil | 2,032,347 | 0 | 284,293 | (1,748,054) | 0 | (1,748,054) |
| Instructional Staff | 1,588,856 | 0 | 388,814 | (1,200,042) | 0 | (1,200,042) |
| Board of Education | 100,432 | 0 | 0 | (100,432) | 0 | (100,432) |
| School Administration | 3,577,075 | 0 | 5,816 | (3,571,259) | 0 | (3,571,259) |
| Fiscal | 867,173 | 0 | 0 | (867,173) | 0 | (867,173) |
| Business | 229,012 | 0 | 0 | (229,012) | 0 | (229,012) |
| Operation and Maintenance of Plant | 5,679,855 | 115,012 | 727,743 | (4,837,100) | 0 | (4,837,100) |
| Pupil Transportation | 3,209,251 | 0 | 66,678 | (3,142,573) | 0 | (3,142,573) |
| Central | 262,560 | 0 | 0 | (262,560) | 0 | (262,560) |
| Operation of Non-Instructional Services | 454,284 | 0 | 19,723 | (434,561) | 0 | (434,561) |
| Extracurricular Activities | 1,657,618 | 187,644 | 86,997 | (1,382,977) | 0 | (1,382,977) |
| Interest and Fiscal Charges | 2,605,515 | 0 | 0 | (2,605,515) | 0 | (2,605,515) |
| <i>Total Governmental Activities</i> | <u>45,686,535</u> | <u>1,021,345</u> | <u>2,513,309</u> | <u>(42,151,881)</u> | <u>0</u> | <u>(42,151,881)</u> |
| Business-Type Activities | | | | | | |
| Food Service | 1,294,367 | 972,502 | 451,580 | 0 | 129,715 | 129,715 |
| Latchkey/ Preschool | 867,879 | 940,946 | 0 | 0 | 73,067 | 73,067 |
| Preschool Grant | 34,176 | 0 | 34,953 | 0 | 777 | 777 |
| <i>Total Business-Type Activities</i> | <u>2,196,422</u> | <u>1,913,448</u> | <u>486,533</u> | <u>0</u> | <u>203,559</u> | <u>203,559</u> |
| <i>Totals</i> | <u>\$47,882,957</u> | <u>\$2,934,793</u> | <u>\$2,999,842</u> | <u>(\$42,151,881)</u> | <u>\$203,559</u> | <u>(\$41,948,322)</u> |
| General Revenues | | | | | | |
| Property Taxes Levied for: | | | | | | |
| General Purposes | | | | 23,013,300 | 0 | 23,013,300 |
| Debt Service | | | | 3,041,088 | 0 | 3,041,088 |
| Capital Outlay | | | | 916,291 | 0 | 916,291 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 13,267,847 | 0 | 13,267,847 |
| Payment in Lieu of Taxes | | | | 1,737,271 | 0 | 1,737,271 |
| Unrestricted Contributions | | | | 282,461 | 0 | 282,461 |
| Investment Earnings | | | | 7,367 | 85 | 7,452 |
| Miscellaneous | | | | 312,466 | 3,480 | 315,946 |
| <i>Total General Revenues</i> | | | | <u>42,578,091</u> | <u>3,565</u> | <u>42,581,656</u> |
| Change in Net Assets | | | | 426,210 | 207,124 | 633,334 |
| <i>Net Assets Beginning of Year</i> | | | | <u>7,998,042</u> | <u>200,585</u> | <u>8,198,627</u> |
| <i>Net Assets End of Year</i> | | | | <u>\$8,424,252</u> | <u>\$407,709</u> | <u>\$8,831,961</u> |

See accompanying notes to the basic financial statements

Kings Local School District

Balance Sheet

Governmental Funds

June 30, 2012

| | <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 | \$9,584,074 | \$2,152,920 | \$2,326,830 | \$14,063,824 |
| Accrued Interest Receivable | 478 | 0 | 0 | 478 |
| Accounts Receivable | 4,387 | 0 | 950 | 5,337 |
| Interfund Receivable | 332,521 | 0 | 0 | 332,521 |
| Intergovernmental Receivable | 76,194 | 0 | 590,879 | 667,073 |
| Property Taxes Receivable | 23,106,873 | 3,578,529 | 906,356 | 27,591,758 |
| Payment in Lieu of Taxes Receivable | 1,577,547 | 0 | 0 | 1,577,547 |
| <i>Total Assets</i> | <u>\$34,682,074</u> | <u>\$5,731,449</u> | <u>\$3,825,015</u> | <u>\$44,238,538</u> |
| Liabilities | | | | |
| Accounts Payable | 128,068 | 0 | 478,346 | 606,414 |
| Accrued Wages | 2,360,276 | 0 | 96,909 | 2,457,185 |
| Intergovernmental Payable | 726,393 | 0 | 1,778 | 728,171 |
| Compensated Absences Payable | 103,705 | 0 | 0 | 103,705 |
| Interfund Payable | 0 | 0 | 322,986 | 322,986 |
| Deferred Revenue | 22,988,525 | 3,391,709 | 1,083,598 | 27,463,832 |
| <i>Total Liabilities</i> | <u>26,306,967</u> | <u>3,391,709</u> | <u>1,983,617</u> | <u>31,682,293</u> |
| Fund Balances | | | | |
| Restricted | 0 | 2,339,740 | 2,020,641 | 4,360,381 |
| Committed | 11,000 | 0 | 0 | 11,000 |
| Assigned | 404,358 | 0 | 0 | 404,358 |
| Unassigned (deficit) | 7,959,749 | 0 | (179,243) | 7,780,506 |
| <i>Total Fund Balances</i> | <u>8,375,107</u> | <u>2,339,740</u> | <u>1,841,398</u> | <u>12,556,245</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$34,682,074</u> | <u>\$5,731,449</u> | <u>\$3,825,015</u> | <u>\$44,238,538</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, 2012*

| | | |
|---|--------------|---------------------|
| Total Governmental Funds Balances | | \$ 12,556,245 |
| <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 | | 52,228,047 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | | |
| Property Taxes | 588,258 | |
| Intergovernmental | 234,002 | 822,260 |
| Governmental funds report issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities. | | 351,960 |
| In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is recorded when due. | | (225,736) |
| 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 Payable | (53,567,669) | |
| Compensated Absences | (3,740,855) | |
| Total | | (57,308,524) |
| <i>Net Assets of Governmental Activities</i> | | \$ 8,424,252 |

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, 2012

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|---|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$23,076,130 | \$3,053,152 | \$917,413 | \$27,046,695 |
| Intergovernmental | 12,849,543 | 437,147 | 2,282,537 | 15,569,227 |
| Investment Earnings | 7,702 | 0 | 676 | 8,378 |
| Tuition and Fees | 718,689 | 0 | 0 | 718,689 |
| Rent | 115,012 | 0 | 24,521 | 139,533 |
| Extracurricular Activities | 17,870 | 0 | 125,428 | 143,298 |
| Payment in Lieu of Taxes | 1,737,271 | 0 | 0 | 1,737,271 |
| Charges for Services | 19,825 | 0 | 0 | 19,825 |
| Contributions and Donations | 264,070 | 0 | 105,388 | 369,458 |
| Miscellaneous | 262,414 | 3,636 | 46,416 | 312,466 |
| <i>Total Revenues</i> | <u>39,068,526</u> | <u>3,493,935</u> | <u>3,502,379</u> | <u>46,064,840</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 17,207,658 | 0 | 441,020 | 17,648,678 |
| Special | 4,061,338 | 0 | 454,263 | 4,515,601 |
| Student Intervention Services | 786,507 | 0 | 150,300 | 936,807 |
| Support Services: | | | | |
| Pupil | 1,760,372 | 0 | 294,111 | 2,054,483 |
| Instructional Staff | 1,273,487 | 0 | 312,420 | 1,585,907 |
| Board of Education | 100,432 | 0 | 0 | 100,432 |
| School Administration | 3,593,729 | 0 | 6,383 | 3,600,112 |
| Fiscal | 823,534 | 40,892 | 10,404 | 874,830 |
| Business | 224,256 | 0 | 0 | 224,256 |
| Operation and Maintenance of Plant | 3,687,096 | 0 | 687,757 | 4,374,853 |
| Pupil Transportation | 3,085,659 | 0 | 9,667 | 3,095,326 |
| Central | 262,560 | 0 | 0 | 262,560 |
| Operation of Non-Instructional Services | 0 | 0 | 458,485 | 458,485 |
| Extracurricular Activities | 1,193,906 | 0 | 265,211 | 1,459,117 |
| Capital Outlay | 0 | 0 | 427,141 | 427,141 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 1,155,000 | 14,718 | 1,169,718 |
| Interest and Fiscal Charges | 0 | 2,567,443 | 0 | 2,567,443 |
| Accretion Paid on Bonds | 0 | 140,000 | 0 | 140,000 |
| <i>Total Expenditures</i> | <u>38,060,534</u> | <u>3,903,335</u> | <u>3,531,880</u> | <u>45,495,749</u> |
| <i>Net Change in Fund Balances</i> | 1,007,992 | (409,400) | (29,501) | 569,091 |
| <i>Fund Balances Beginning of Year</i> | <u>7,367,115</u> | <u>2,749,140</u> | <u>1,870,899</u> | <u>11,987,154</u> |
| <i>Fund Balances End of Year</i> | <u><u>\$8,375,107</u></u> | <u><u>\$2,339,740</u></u> | <u><u>\$1,841,398</u></u> | <u><u>\$12,556,245</u></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, 2012*

Net Change in Fund Balances - Total Governmental Funds \$ 569,091

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 additions | 474,403 | |
| Depreciation expense | (1,766,514) | |
| | | |
| Excess of capital outlay under depreciation expense | | (1,292,111) |

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

| | | |
|---------------------------|----------|--------|
| Interest | (919) | |
| Grants | 124,840 | |
| Delinquent Property Taxes | (76,016) | |
| | | |
| Total | | 47,905 |

Repayment of bond principal is an expenditure in the governmental funds and a reduction of liabilities in the statement of net assets. 1,309,718

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 payable and the difference arising from the premium and bond issuance costs and accretion on capital appreciation bonds.

| | | |
|--------------------------------|-----------|----------|
| Accrued Interest | 3,835 | |
| Accreted Interest | (167,903) | |
| Amortization of Premium | 147,750 | |
| Amortization of Issuance Costs | (21,754) | |
| | | |
| | | (38,072) |

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 | | (170,321) |
| | | |

Change in Net Assets of Governmental Activities \$ 426,210

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, 2012

| | Budget Amounts | | Actual | Variance With Final Budget Over/Under |
|--|----------------|--------------|--------------|---|
| | Original | Final | | |
| <u>Revenues</u> | | | | |
| Property Taxes | \$23,614,192 | \$23,614,192 | \$23,682,249 | \$68,057 |
| Intergovernmental | 12,123,409 | 12,123,409 | 12,841,558 | 718,149 |
| Interest | 50,000 | 50,000 | 10,952 | (39,048) |
| Tuition and Fees | 654,680 | 654,680 | 718,500 | 63,820 |
| Rent | 165,000 | 165,000 | 114,952 | (50,048) |
| Gifts and Donations | 10,000 | 10,000 | 154,848 | 144,848 |
| Customer Sales and Services | 15,000 | 15,000 | 19,825 | 4,825 |
| Payments in Lieu of Taxes | 1,519,951 | 1,519,951 | 1,744,706 | 224,755 |
| Miscellaneous | 5,000 | 5,000 | 3,894 | (1,106) |
| <i>Total Revenues</i> | 38,157,232 | 38,157,232 | 39,291,484 | 1,134,252 |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 26,190,384 | 26,186,037 | 17,611,699 | 8,574,338 |
| Special | 490,949 | 492,349 | 4,065,168 | (3,572,819) |
| Student Intervention Services | 666,132 | 666,132 | 786,497 | (120,365) |
| Support Services: | | | | |
| Pupil | 104,723 | 124,684 | 1,769,481 | (1,644,797) |
| Instructional Staff | 150,432 | 137,438 | 1,247,965 | (1,110,527) |
| Board of Education | 115,368 | 126,368 | 100,730 | 25,638 |
| Administration | 935,388 | 948,677 | 3,619,862 | (2,671,185) |
| Fiscal | 612,041 | 510,787 | 838,129 | (327,342) |
| Business | 5,991 | 15,372 | 225,470 | (210,098) |
| Operation and Maintenance of Plant | 1,873,905 | 1,884,262 | 3,698,710 | (1,814,448) |
| Pupil Transportation | 2,975,518 | 3,123,518 | 3,085,853 | 37,665 |
| Central | 268,799 | 268,999 | 277,890 | (8,891) |
| Operation of Non-Instructional Services | | | | |
| Services | 1,600 | 1,600 | 0 | 1,600 |
| Extracurricular Activities | 56,790 | 63,614 | 877,133 | (813,519) |
| <i>Total Expenditures</i> | 34,448,020 | 34,549,837 | 38,204,587 | (3,654,750) |
| Excess of Revenues Over Expenditures | 3,709,212 | 3,607,395 | 1,086,897 | (2,520,498) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Refund of Prior Year Expenditures | 0 | 0 | 320 | 320 |
| Advances In | 100,000 | 100,000 | 278,689 | 178,689 |
| Advances Out | (100,000) | (100,000) | (327,739) | (227,739) |
| Transfers Out | (6,703) | (6,703) | 0 | 6,703 |
| <i>Total Other Financing Sources (Uses)</i> | (6,703) | (6,703) | (48,730) | (42,027) |
| <i>Net Change in Fund Balance</i> | 3,702,509 | 3,600,692 | 1,038,167 | (2,562,525) |
| <i>Fund Balance at Beginning of Year</i> | 7,652,318 | 7,652,318 | 7,652,318 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 357,176 | 357,176 | 357,176 | 0 |
| <i>Fund Balance at End of Year</i> | \$11,712,003 | \$11,610,186 | \$9,047,661 | (\$2,562,525) |

See accompanying notes to the basic financial statements

Kings Local School District

Statement of Net Assets

Enterprise Funds

June 30, 2012

| | <u>Other Enterprise Funds</u> |
|---|-----------------------------------|
| Assets | |
| <i>Current Assets:</i> | |
| Equity in Pooled Cash, Cash Equivalents and Investments | \$393,342 |
| Intergovernmental Receivable | 8,535 |
| Inventory Held for Resale | <u>8,845</u> |
| <i>Total Current Assets</i> | 410,722 |
| <i>Noncurrent Assets:</i> | |
| <i>Capital Assets:</i> | |
| Depreciable Capital Assets, Net | <u>316,410</u> |
| <i>Total Assets</i> | <u>727,132</u> |
| Liabilities | |
| <i>Current Liabilities:</i> | |
| Accounts Payable | 709 |
| Accrued Wages and Benefits | 93,272 |
| Intergovernmental Payable | 77,019 |
| Compensated Absences Payable | 13,867 |
| Interfund Payable | <u>9,535</u> |
| <i>Total Current Liabilities</i> | 194,402 |
| <i>Long-Term Liabilities:</i> | |
| Compensated Absences Payable | <u>125,021</u> |
| <i>Total Liabilities</i> | <u>319,423</u> |
| Net Assets | |
| Invested in Capital Assets | 316,410 |
| Unrestricted | <u>91,299</u> |
| <i>Total Net Assets</i> | <u><u>\$407,709</u></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, 2012

| | Other Enterprise Funds |
|--|------------------------------|
| Operating Revenues | |
| Tuition | \$940,946 |
| Sales | 972,502 |
| Other Revenues | 394 |
| <i>Total Operating Revenues</i> | <i>1,913,842</i> |
| Operating Expenses | |
| Salaries | 1,028,483 |
| Fringe Benefits | 477,277 |
| Purchased Services | 5,051 |
| Materials and Supplies | 590,444 |
| Depreciation | 44,833 |
| Other | 50,334 |
| <i>Total Operating Expenses</i> | <i>2,196,422</i> |
| <i>Operating Loss</i> | <i>(282,580)</i> |
| Non-Operating Revenues | |
| Federal Donated Commodities | 43,408 |
| Interest | 85 |
| Federal and State Subsidies | 443,125 |
| Other | 3,086 |
| <i>Total Non-Operating Revenues</i> | <i>489,704</i> |
| <i>Net Change in Net Assets</i> | <i>207,124</i> |
| <i>Net Assets at Beginning of Year</i> | <i>200,585</i> |
| <i>Net Assets at End of Year</i> | <i>\$407,709</i> |

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, 2012

| | Other Enterprise Funds |
|---|------------------------------|
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$ 1,915,477 |
| Cash Payments to Employees for Services | (1,039,075) |
| Cash Payments for Employee Benefits | (497,018) |
| Cash Payments for Goods and Services | (623,158) |
| Other Non-Operating Revenues | 3,086 |
| Other Operating Revenue | 394 |
| <i>Net Cash Used in Operating Activities</i> | (240,294) |
| Cash Flows from Noncapital Financing Activities | |
| Operating Grants Received | 434,590 |
| Short Term Loans Borrowed from Other Funds | 9,535 |
| Short Term Loans Paid back to Other Funds | (12,555) |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | 431,570 |
| Cash Flows from Investing Activities | |
| Interest on Investments | 85 |
| <i>Net Increase in Cash and Cash Equivalents</i> | 191,361 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | 201,981 |
| <i>Cash and Cash Equivalents End of Year</i> | \$393,342 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | |
| Operating Loss | (\$282,580) |
| Adjustments: | |
| Depreciation | 44,833 |
| Donated Commodities | 43,408 |
| Non-operating Revenues | 3,086 |
| (Increase) Decrease in Assets: | |
| Inventory Held for Resale | 4,251 |
| Accounts Receivable | 2,029 |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | (24,988) |
| Accrued Wages and Benefits | (24,466) |
| Compensated Absences Payable | 13,874 |
| Intergovernmental Payable | (19,741) |
| <i>Net Cash Used in Operating Activities</i> | \$ (240,294) |

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Assets and Liabilities
Agency Funds
June 30, 2012

| | <u>Agency</u> |
|--|--------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 101,390</u> |
| <i>Total Assets</i> | <u><u>101,390</u></u> |
| Liabilities | |
| Undistributed Monies | 61,101 |
| Due to Students | <u>40,289</u> |
| <i>Total Liabilities</i> | <u><u>\$ 101,390</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, 2012

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in the 1950s through the consolidation of existing land area and school districts. The School 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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, preschool, latchkey and student related activities of the School District.

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

The School District participates in three organizations, two 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 and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, respectively. See Notes 18 and 19 for more information about these organizations.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) 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 School 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 School District's accounting policies.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School 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 School 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 School 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 School District and for each function program of the governmental activities of the School 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 School 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 School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School 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 School 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.

Fund Accounting

Governmental funds are those through which most governmental functions of the School District typically are financed. Governmental fund reporting focuses 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 School District's major governmental funds:

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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

Debt Service Fund - The Debt Service Fund is used to account for and report 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 School District is obligated in some manner for the payment.

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

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 School 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund, which is used to account for student managed activities.

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 School 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 School District finances and meets the cash flow needs of its proprietary activities.

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, 2012

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 School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School 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 School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, student fees 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, 2012, but which were levied to finance fiscal year 2013 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.

Cash and Cash Equivalents

To improve cash management, cash received by the School 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 2012, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and US Agency securities.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 net asset value per share, which is the price the investment could be sold for on June 30, 2012.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” requires that investments, with certain exceptions be recorded at their fair value and the changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2012 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 2012 amounted to \$7,702.

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 School District is able to withdraw resources from the enterprise funds without prior notice or penalty.

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.

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 School 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 and construction in progress, 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, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

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."

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School 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 School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 15 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.

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 and bonds are recognized as a liability on the governmental fund financial statements when due.

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, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

As permitted by State statute, the School 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.

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 School 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 expenses for specified purposes.

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School 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 School 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, 2012

Note 2 - Summary of Significant Accounting Policies (continued)

The School 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.

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 School 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.

Internal Activity

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.

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.

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 School 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, 2012

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

For fiscal year 2012, the School District has implemented *Governmental Accounting Standard Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.”* GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not result in any change in the School District's financial statements.

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School 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 | \$2,339,740 | \$0 | \$2,339,740 |
| Student Managed Activities | 0 | 0 | 32,018 | 32,018 |
| Auxillary Services | 0 | 0 | 215,751 | 215,751 |
| Miscellaneous Grants | 0 | 0 | 43,721 | 43,721 |
| Capital Projects | 0 | 0 | 1,729,151 | 1,729,151 |
| <i>Total Restricted</i> | 0 | 2,339,740 | 2,020,641 | 4,360,381 |
| <i>Committed to</i> | | | | |
| Underground Storage Tank | 11,000 | 0 | 0 | 11,000 |
| <i>Assigned to</i> | | | | |
| Purchases on Order | 404,358 | 0 | 0 | 404,358 |
| <i>Unassigned (Deficit)</i> | 7,959,749 | 0 | (179,243) | 7,780,506 |
| <i>Total Fund Balances</i> | \$8,375,107 | \$2,339,740 | \$1,841,398 | \$12,556,245 |

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 5 - Budgetary Basis of Accounting

While the School 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.

| Net Change in Fund Balance | |
|---|-------------|
| GAAP Basis | \$1,007,992 |
| Adjustments: | |
| Revenue Accruals | 592,757 |
| Expenditure Accruals | (242,922) |
| Encumbrances | (281,784) |
| Advances | (49,050) |
| Excess of revenues, and other financing sources and over(under) expenditures and other financing uses: | |
| Principal Fund | 11,174 |
| Budget Basis | \$1,038,167 |

Note 6 – Cash and Cash Equivalents and Investments

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

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

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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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 School District's deposits was \$13,416,736. 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 School 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 School District to a successful claim by the FDIC.

Investments

At June 30, 2012, the School District's investment balance was as follows:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

| | <u>Fair Value</u> | <u>Maturity</u> | <u>Percent of Total Investments</u> |
|---|--------------------|--------------------|---|
| STAROhio | \$1,888,357 | 53 days | N/A |
| Federal Home Loan Mortgage Corporation Note | 100,928 | Less than one year | 5.07% |
| Total Investments | <u>\$1,989,285</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 School District’s investment in STAR Ohio AAAM. The School District’s investments in US Agency Notes were rated AA+ 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 School 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 School District’s investments are either insured and registered in the name of the School District or at least registered in the name of the School District. The School 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 School 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 School 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or 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.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 7 - Property Taxes (continued)

The School District receives property taxes from Warren County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 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 and public utility property taxes which were measurable as of June 30, 2012 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 reflected 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, 2012, was \$1,612,950 and is recognized as revenue: \$1,369,370 in the General Fund, \$186,820 in the Debt Service Fund and \$56,760 in the Permanent Improvement Fund. 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 an 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 2012 taxes were collected are:

| | 2011 Second - Half Collections | | 2012 First - Half Collections | |
|---|-----------------------------------|----------------|----------------------------------|----------------|
| | Amount | Percentage | Amount | Percentage |
| Agricultural/Residential and Other Real Estate | \$691,907,320 | 98.08% | \$692,573,320 | 98.20% |
| Public Utility Personal | 13,528,590 | 1.92% | 12,711,860 | 1.80% |
| Total Assessed Value | <u>\$705,435,910</u> | <u>100.00%</u> | <u>\$705,285,180</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$70.33 | | \$70.73 | |

Note 8 - Receivables

Receivables at June 30, 2012, consisted of interest, accounts (rent, student fees and commissions), interfund, intergovernmental grants, property taxes and revenue in lieu of taxes. 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 8 - Receivables (continued)

A list of the School District's intergovernmental receivables follows:

| | Amount |
|-------------------------------------|-----------|
| Governmental Activities: | |
| Auxillary Services | \$125,129 |
| Education Jobs | 20,539 |
| Idea Part -B | 242,623 |
| Title II-D | 1,018 |
| Title III- LEP | 4,162 |
| Title I | 106,538 |
| Title II-A | 90,870 |
| School Employees Retirement System | 54,982 |
| Miscellaneous Reimbursement | 21,212 |
| Total Intergovernmental Receivables | \$667,073 |

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

| | Balance 6/30/2011 | Additions | Deductions | Balance 6/30/2012 |
|---|----------------------|---------------|------------|----------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$3,074,466 | \$0 | \$0 | \$3,074,466 |
| Construction in Progress | 0 | 273,635 | 0 | 273,635 |
| Depreciated | 3,074,466 | 273,635 | 0 | 3,348,101 |
| Capital Assets Being Depreciated: | | | | |
| Land Improvements | 4,400,979 | 0 | 0 | 4,400,979 |
| Buildings and Improvements | 64,060,528 | 100,310 | 0 | 64,160,838 |
| Furniture and Equipment | 2,585,574 | 100,458 | | 2,686,032 |
| Vehicles | 2,322,264 | 0 | 0 | 2,322,264 |
| Totals Capital Assets Being Depreciated | 73,369,345 | 200,768 | 0 | 73,570,113 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (2,959,449) | (126,962) | 0 | (3,086,411) |
| Buildings and Improvements | (17,081,982) | (1,165,458) | 0 | (18,247,440) |
| Furniture and Equipment | (971,190) | (397,809) | 0 | (1,368,999) |
| Vehicles | (1,911,032) | (76,285) | 0 | (1,987,317) |
| Total Accumulated Depreciation | (22,923,653) | (1,766,514) | 0 | (24,690,167) |
| Total Capital Assets Being Depreciated, Net | 50,445,692 | (1,565,746) | 0 | 48,879,946 |
| Governmental Activities Capital Assets, Net | \$53,520,158 | (\$1,292,111) | \$0 | \$52,228,047 |

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

| | | |
|---|-------------|--|
| Instruction: | | |
| Regular | \$277,135 | |
| Special | 45,116 | |
| Support Services: | | |
| Instructional Staff | 345 | |
| School Administration | 4,261 | |
| Fiscal | 1,984 | |
| Operation and Maintenance of Plant | 1,310,807 | |
| Pupil Transportation | 113,925 | |
| Operation of Non-Instructional Services | 8,938 | |
| Extracurricular Activities | 4,003 | |
| Total Depreciation Expense | \$1,766,514 | |

| | Balance 6/30/11 | Additions | Deductions | Balance 6/30/12 |
|---|--------------------|------------|------------|--------------------|
| <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 | 587,906 | 0 | 0 | 587,906 |
| Total Capital Assets, Being Depreciated | 678,684 | 0 | 0 | 678,684 |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (7,021) | (358) | 0 | (7,379) |
| Buildings and Improvements | (28,215) | (2,506) | 0 | (30,721) |
| Furniture and Equipment | (282,205) | (41,969) | 0 | (324,174) |
| Total Accumulated Depreciation | (317,441) | (44,833) | 0 | (362,274) |
| Business-Type Activity Capital Assets, Net | \$361,243 | (\$44,833) | \$0 | \$316,410 |

Depreciation expense of \$42,715 and \$2,118 was charged to the Food Service and Latchkey/Preschool Funds, respectively.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 10 - Interfund Assets/Liabilities

Interfund transactions at June 30, 2012, consisted of the following:

| | | Receivable |
|---------|------------------------------|--------------|
| | | General Fund |
| | | |
| Payable | All Other Governmental Funds | \$322,986 |
| | All Other Enterprise Funds | 9,535 |
| | Total | \$332,521 |

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

State Teachers Retirement System

Plan Description – The School 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 offers 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, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 11 - Defined Benefit Pension Plans (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$2,349,714, \$2,531,965, and \$2,567,119, respectively. The full amount has been contributed for fiscal years 2012 and 2011. 33 percent has been contributed for fiscal year 2010 with the balance being reported as an intergovernmental payable.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$35,058 made by the School District and \$27,184 made by the plan members. In addition, member contributions of \$19,590 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

School Employees Retirement System

Plan Description – The School 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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 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, 2012, 2011, and 2010 were \$536,020, \$735,705 and \$690,072, respectively. The full amount has been contributed for fiscal years 2012 and 2011. 33 percent has been contributed for fiscal year 2010 with the balance being reported as an intergovernmental payable.

Note 12 - Postemployment Benefits

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$180,747, \$194,767, and \$183,366, respectively. The full amount has been contributed for fiscal years 2012 and 2011. 33 percent has been contributed for fiscal year 2010 with the balance being reported as an intergovernmental payable.

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$88,968 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$114,362, \$91,261, and \$22,674, respectively. The full amount has been contributed for fiscal years 2012 and 2011. 33 percent has been contributed for fiscal year 2010 with the balance being reported as an intergovernmental payable.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$31,780 \$48,503, and \$37,461 respectively. The full amount has been contributed for fiscal years 2012 and 2011. 33 percent has been contributed for fiscal year 2010 with the balance being reported as an intergovernmental payable.

Note 13 - Employee Benefits

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 195 days for certified employees, 12 days beyond contract year for administrators, and 205 days for classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 38 days.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 13 - Employee Benefits (continued)

Health Care Benefits

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

Note 14 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

| | Amount Outstanding 6/30/11 | Additions | Deductions | Amount Outstanding 6/30/12 | Amounts Due in One Year |
|---|----------------------------------|------------------|--------------------|----------------------------------|----------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General Obligation Bonds and Loans Payable: | | | | | |
| 1995 School Improvement 5.86% | \$3,110,000 | \$0 | \$340,000 | 2,770,000 | \$390,000 |
| 1993 EPA Asbestos Loan | 14,718 | 0 | 14,718 | 0 | 0 |
| 2000 School Improvement 5.47% | 2,440,000 | 0 | 485,000 | 1,955,000 | 575,000 |
| 2003 School Improvement 4.25% | 4,220,000 | 0 | 120,000 | 4,100,000 | 125,000 |
| 2005 School Improvement 3.05% | | | | | |
| Term and Serial Bonds | 15,515,000 | 0 | 110,000 | 15,405,000 | 105,000 |
| Premium | 1,551,424 | 0 | 103,428 | 1,447,996 | 0 |
| Capital Appreciation Bond | 115,000 | 0 | 25,000 | 90,000 | 15,000 |
| Interest Accretion | 657,610 | 167,903 | 140,000 | 685,513 | 0 |
| 2007 School Improvement 4.13% | | | | | |
| Term and Serial Bonds | 26,480,000 | 0 | 75,000 | 26,405,000 | 135,000 |
| Premium | 753,482 | 0 | 44,322 | 709,160 | 0 |
| Compensated Absences | 3,570,534 | 644,744 | 474,423 | 3,740,855 | 353,868 |
| Total Governmental Activities | | | | | |
| Long-Term Obligations | <u>\$58,427,768</u> | <u>\$812,647</u> | <u>\$1,931,891</u> | <u>\$57,308,524</u> | <u>\$1,698,868</u> |
| | Amount Outstanding 6/30/11 | Additions | Deductions | Amount Outstanding 6/30/12 | Amounts Due in One Year |
| <u>Business Type Activities:</u> | | | | | |
| Compensated Absences | <u>\$125,014</u> | <u>\$19,197</u> | <u>\$5,323</u> | <u>\$138,888</u> | <u>\$13,867</u> |

School Improvement Bonds – On various occasions, the School District issued general obligation bonds for the purpose of additions and improvements to school buildings in the School District. The maturity dates of the bonds range from December 1, 2012 to December 1, 2033. The interest rates vary from 3.05% to 5.86%.

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

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, | General Obligation Bonds Payable | | |
|--------------------------------|----------------------------------|--------------|--------------|
| | Principal | Interest | Total |
| 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 | 2,855,000 | 1,176,297 | 4,031,297 |
| 2018-2022 | 15,475,000 | 9,538,875 | 25,013,875 |
| 2023-2027 | 13,440,000 | 4,623,750 | 18,063,750 |
| 2028-2032 | 8,295,000 | 2,060,125 | 10,355,125 |
| 2033-2034 | 3,930,000 | 199,000 | 4,129,000 |
| Total | \$50,725,000 | \$28,352,293 | \$79,077,293 |

The School District's overall legal debt margin was \$15,080,141 with an unvoted debt margin of \$705,171, and an Energy Conservation debt margin of \$6,346,540 at June 30, 2012.

In fiscal year 2005, the School 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 15 – Set-Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 15 – Set-Asides (continued)

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

| | <u>Capital Acquisition</u> |
|---|--------------------------------|
| Set-aside Balance as of June 30, 2011 | \$0 |
| Current Fiscal Year Set-aside Requirement | 669,893 |
| Qualifying Disbursements | (984,834) |
| Totals | <u>(\$314,941)</u> |
| Set-aside Balance Carried Forward to Future Fiscal Years | <u>\$0</u> |

Amounts of offsets and qualifying expenditures presented in the table for the capital acquisition set-asides were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying expenditures for capital acquisitions, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore is not presented as being carried forward to the next fiscal year. In previous fiscal years, the School District was required to have a textbook requirement. Effective July 1, 2011, House Bill 30 of the 129th General Assembly repealed the textbook requirement.

Note 16 - Contingencies

Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Litigation

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

Note 17 – Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 17 – Risk Management (continued)

Workers' Compensation

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

Note 18 – Jointly Governed Organizations

Southwest Ohio Computer Association – The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Hamilton, Preble and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

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

Note 19 – Insurance Purchasing Pool

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

Note 20 – Accountability and Compliance

Accountability

At June 30, 2012, the Idea B Special Revenue Fund had deficit fund balance of \$179,243. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Compliance

The General Fund had expenditures plus encumbrances exceeding appropriations.

Kings Local School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2012

| <u>Federal Grantor/Program Title</u> | <u>Pass-Through Entity Number</u> | <u>Federal CFDA Number</u> | <u>Federal Revenues</u> | <u>Federal Expenditures</u> |
|---|---|------------------------------------|-----------------------------|---------------------------------|
| <u>U.S. Department of Agriculture:</u> (Passed through Ohio Department of Education) | | | | |
| Nutrition Cluster: | | | | |
| <i>Non-Cash Assistance (Food Distribution):</i> | | | | |
| National School Lunch Program | N/A | 10.555 | \$ 43,408 | 43,408 |
| <i>Cash Assistance</i> | | | | |
| School Breakfast Program | 05PU-2012 | 10.553 | 52,214 | 52,214 |
| National School Lunch Program | LLP4-2012 | 10.555 | 348,557 | 348,557 |
| Nutrition Cluster Total | | | <u>444,179</u> | <u>444,179</u> |
| Total U.S. Department of Agriculture | | | <u>444,179</u> | <u>444,179</u> |
| <u>U.S. Department of Justice:</u> (Passed through Warren County Sheriff's Office) | | | | |
| Public Safety Partnership and Community Policing Grants | N/A | 16.710 | 99,250 | 45,549 |
| Total U.S. Department of Justice | | | <u>99,250</u> | <u>45,549</u> |
| <u>U.S. Department of Education:</u> (Passed through Ohio Department of Education) | | | | |
| Title I Grants to Local Educational Agencies | C1S1-2011 | 84.010 | 54,903 | 29,903 |
| Title I Grants to Local Educational Agencies | C1S1-2012 | 84.010 | 222,642 | 267,503 |
| | | | <u>277,545</u> | <u>297,406</u> |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 6BSF-2011 | 84.027 | 122,448 | 49,540 |
| Special Education - Grants to States | 6BSF-2012 | 84.027 | 559,210 | 779,031 |
| Special Education - Preschool Grants | PGS1-2011 | 84.173 | 5,460 | 1,649 |
| Special Education - Preschool Grants | PGS1-2012 | 84.173 | 7,178 | 16,613 |
| ARRA - Special Education - Grants to States | 6BSF-2011 | 84.391 | 13,712 | 13,712 |
| ARRA - Special Education - Preschool Grants | PGS1-2011 | 84.392 | 13,780 | 7,222 |
| Special Education Cluster Total | | | <u>721,788</u> | <u>867,767</u> |
| Education Jobs Fund | 2011 | 84.410 | 32,024 | - |
| Education Jobs Fund | 2012 | 84.410 | 73,288 | 81,049 |
| | | | <u>105,312</u> | <u>81,049</u> |
| ARRA - Race to the Top | ARRA-2012 | 84.395 | 174 | 174 |
| Education Technology State Grants | TJS1-2012 | 84.318 | 1,200 | 1,650 |
| English Language Acquisition Grants | T3S1-2012 | 84.365 | 25,686 | 26,049 |
| Improving Teacher Quality State Grants | TRS1-2011 | 84.367 | 10,985 | 7,136 |
| Improving Teacher Quality State Grants | TRS1-2012 | 84.367 | 43,904 | 84,875 |
| | | | <u>54,889</u> | <u>92,011</u> |
| Total U.S. Department of Education | | | <u>1,186,594</u> | <u>1,366,106</u> |
| Total Federal Awards | | | \$ <u>1,730,023</u> | <u>1,855,834</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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2012. 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 2012-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-2.

We noted certain matters that we reported to management of the District, in a separate letter dated December 20, 2012.

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

This report is intended solely for the information and use of the Board of Education, management, others within the entity, 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, Hackett & Co.

Cincinnati, Ohio
December 20, 2012

**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 U.S. Office of Management and Budget (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, 2012. 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, 2012.

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 the 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-3. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of the Board of Education, management, others within the entity 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, Hackett & Co.

Cincinnati, Ohio
December 20, 2012

KINGS LOCAL SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

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? | yes |

Federal Awards

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

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? yes

Identification of major programs:

- Special Education Cluster:*
CFDA 84.027 – Special Education – Grants to States
CFDA 84.173 – Special Education – Preschool Grants
CFDA 84.391 – ARRA-Special Education – Grants to States
CFDA 84.392 – ARRA-Special Education – Preschool Grants

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

Finding 2012-1 – 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 a misstatement in the financial statements that was not initially identified by the District's internal control over financial reporting. The audit adjustment was necessary to properly record taxes receivable in the Debt Service and Other Governmental Funds.

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.

Finding 2012-2 – Expenditures and encumbrances exceeded appropriations

Condition: Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During our budgetary compliance review, we noted that expenditures and encumbrances exceeded appropriations in the General Fund as June 30, 2012.

Recommendation: We recommend the District implement procedures to amend the appropriations prior to incurring additional expenditures to ensure the funds are available and prevent fund deficits.

Management's response: Management concurs.

Section III – Federal Award Findings and Questioned Costs

Allowable Costs

Finding 2012-3 – Special Education Cluster – CFDA No. 84.027, CFDA No. 87.173, CFDA No. 84.391 (ARRA) and CFDA No. 84.392 (ARRA)

Condition: We performed tests to determine if the District was properly preparing semi-annual certifications for employees that work solely on a specific federal program to support salaries and wages charged to the program. We noted these certifications were prepared to support the costs charged. However, the certifications were not signed by the employees' supervisor.

Criteria: The semi-annual certifications required by OMB Circular A-87 should be signed by both the employee and a supervisor.

Effect: Lack of supervisory controls could result in improper costs charged to the District's federal programs.

Cause: The District lacked procedures to ensure the supervisory approval of certifications on a semi-annual basis.

Recommendation: We recommend the District implement procedures to ensure these semi-annual certificates are properly prepared and approved.

Management Response: Management concurs

Kings Local School District
Schedule of Prior Audit Findings
Year Ended June 30, 2012

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

Status: Audit adjustments were noted during the current year audit and thus, this finding is repeated as Finding 2012-1.



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 7, 2013**