

**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2018*



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Kings Local School District, Warren County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. 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

December 27, 2018

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**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund	19
Statement of Fiduciary Net Position - Agency Funds	20
Notes to the Basic Financial Statements.....	21 - 65
Required Supplementary Information:	
Schedule of the School District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System (SERS) of Ohio	68 - 69
Schedule of the School District’s Proportionate Share of the Net OPEB Liability:	
School Employees Retirement System (SERS) of Ohio	70
Schedule of the School District’s Proportionate Share of the Net Pension Liability:	
School Teachers Retirement System (STRS) of Ohio	72 - 73
Schedule of the School District’s Proportionate Share of the Net OPEB Liability:	
School Teachers Retirement System (STRS) of Ohio	74
Schedule of the School District’s Contributions:	
School Employees Retirement System (SERS) of Ohio	76 - 77
Schedule of the School District’s Contributions:	
School Teachers Retirement System (STRS) of Ohio	78 - 79
Notes to the Required Supplementary Information	80 - 81
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	83
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	84 - 85
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	86 - 87
Schedule of Findings 2 <i>CFR</i> § 200.515.....	88

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Julian & Grube, Inc.
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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kings Local School District, Warren County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Kings Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Kings Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Kings Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kings Local School District, Warren County, Ohio, as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during fiscal year 2018, the Kings Local School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

As discussed in Note 3, the Kings Local School District reclassified certain Enterprise Funds, as they no longer met the criteria mandating them to be Enterprise Funds.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other postemployment benefit liabilities and pension and other postemployment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Kings Local School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of the Kings Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the Kings Local School District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
November 27, 2018

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(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, 2018. 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 2018 are as follows:

- In total, net position increased \$30,457,518.
- Total assets of governmental activities increased by \$4,029,921 due mainly to increases in property taxes receivable and cash and cash equivalents. The passage of a new 6.20 mill operating levy in November, 2016 was the primary driver of the increases in property taxes receivable and cash and cash equivalents.
- General revenues of governmental activities accounted for \$54,430,031 in revenue or 86.7 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$8,403,459 or 13.4 percent of total revenues of \$62,833,490.

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 Position 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.

Reporting the School District as a Whole

Statement of Net Position 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 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 position and changes to the net position. This change in net position 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.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 10. 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 be readily 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Reporting the School District as a Whole

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

Table 1 provides a summary of the School District's net position for 2018 compared to 2017:

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 1
Net Position
Governmental Activities

	2018	Restated 2017	Change
Assets:			
Current and Other Assets	\$62,510,086	\$57,754,109	\$4,755,977
Capital Assets	48,421,862	49,147,918	(726,056)
Total Assets	<u>110,931,948</u>	<u>106,902,027</u>	<u>4,029,921</u>
Deferred Outflows of Resources:			
Deferred Charge on Refunding	3,859,016	4,106,246	(247,230)
Pension	19,912,078	17,958,276	1,953,802
OPEB	615,758	126,545	489,213
Total Deferred Outflows of Resources	<u>24,386,852</u>	<u>22,191,067</u>	<u>2,195,785</u>
Liabilities:			
Current and Other Liabilities	6,106,108	5,608,845	497,263
Long-term Liabilities:			
Due Within One Year	2,526,571	2,678,522	(151,951)
Due in More Than One year:			
Net Pension Liability	60,133,136	82,329,095	(22,195,959)
Net OPEB Liability	13,892,785	17,167,155	(3,274,370)
Other Amounts	52,386,902	55,969,526	(3,582,624)
Total Liabilities	<u>135,045,502</u>	<u>163,753,143</u>	<u>(28,707,641)</u>
Deferred Inflows of Resources:			
Property Taxes	33,959,523	33,300,577	658,946
Payment in Lieu of Taxes	1,982,632	1,904,419	78,213
Pension	2,244,016	131,475	2,112,541
OPEB	1,626,129	0	1,626,129
Total Deferred Inflows of Resources	<u>39,812,300</u>	<u>35,336,471</u>	<u>4,475,829</u>
Net Position:			
Net Investment in Capital Assets	4,037,065	2,143,899	1,893,166
Restricted	6,401,102	5,655,569	745,533
Unrestricted	(49,977,169)	(77,795,988)	27,818,819
Total Net Position	<u>(\$39,539,002)</u>	<u>(\$69,996,520)</u>	<u>\$30,457,518</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation in combination with the change in fund classification had the effect of restating net position at June 30, 2017, from (\$49,804,106) to (\$69,996,520).

Total assets increased \$4,029,921. Current and other assets increased \$4,755,977 mainly due to an increase in cash and cash equivalents on hand thanks to an increase in property tax revenue. Property tax revenues increased due to the passage of a new operating levy in November, 2016.

Total liabilities decreased \$28,707,641. Net Pension Liability decreased \$22,195,959 due to changes in assumptions for the statewide pension system. Other Long-term Liabilities decreased \$3,582,624 due to current year debt payments and a decrease in the compensated absences liability.

Unrestricted net position for governmental activities increased \$27,818,819, mainly due to the substantial decrease in the net pension liability.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Table 2
Changes in Net Position
Governmental Activities

	2018	Restated 2017	Change
Revenues			
Program Revenues			
Charges for Services	\$3,867,745	\$3,593,374	\$274,371
Operating Grants	4,535,714	4,110,421	425,293
Total Program Revenues	<u>8,403,459</u>	<u>7,703,795</u>	<u>699,664</u>
General Revenues			
Property Taxes	37,706,076	30,593,703	7,112,373
Grants and Entitlements	13,563,177	13,797,989	(234,812)
Other	3,160,778	3,036,324	124,454
Total General Revenues	<u>54,430,031</u>	<u>47,428,016</u>	<u>7,002,015</u>
Total Revenues	<u>62,833,490</u>	<u>55,131,811</u>	<u>7,701,679</u>
Program Expenses			
Instruction	10,229,285	32,515,204	(22,285,919)
Support Services:			
Pupils and Instructional Staff	2,979,183	4,835,910	(1,856,727)
Board of Education, Administration, Fiscal, and Business	2,968,764	5,208,954	(2,240,190)
Operation and Maintenance of Plant	4,337,377	4,194,058	143,319
Pupil Transportation	4,088,929	3,268,278	820,651
Central	1,016,150	398,837	617,313
Operation of Non-Instructional Services	3,626,156	4,072,954	(446,798)
Extracurricular Activities	1,136,401	1,604,015	(467,614)
Interest and Fiscal Charges	1,993,727	3,107,745	(1,114,018)
Total Expenses	<u>32,375,972</u>	<u>59,205,955</u>	<u>(26,829,983)</u>
Increase (Decrease) in Net Position	30,457,518	(4,074,144)	34,531,662
Net Position Beginning of Year	(69,996,520)	N/A	N/A
Net Position End of Year	<u>(\$39,539,002)</u>	<u>(\$69,996,520)</u>	<u>\$30,457,518</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$126,545 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$1,972,730. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

Total 2018 program expenses under GASB 75	\$32,375,972
Negative OPEB expense under GASB 75	1,972,730
2018 contractually required contribution	164,724
Adjusted 2018 program expenses	<u>34,513,426</u>
Total 2017 program expenses under GASB 45	<u>59,205,955</u>
Decrease in program expenses not related to OPEB	<u><u>(\$24,692,529)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 10). As a result of these changes, pension expense decreased from \$7,416,295 in fiscal year 2017 to a negative pension expense of \$17,725,404 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses:	<u>2018 Program Expenses Related to Negative Pension Expense</u>
Instruction:	
Regular	(\$11,930,909)
Special	(2,406,236)
Support Services:	
Pupils	(1,035,870)
Instructional Staff	(407,296)
Administration	(1,236,181)
Fiscal	(29,135)
Business	(14,314)
Operation and Maintenance of Plant	(135,381)
Central	(4,327)
Operation of Non-Instructional Services	(233,970)
Extracurricular Activities	(291,785)
Total Expenses	<u><u>(\$17,725,404)</u></u>

Governmental Activities

The School District's revenues are mainly from two sources. Property taxes levied for general, debt service, and capital projects purposes, and grants and entitlements. These two main revenue sources comprised 82 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

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills, and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 60 percent of revenue for governmental activities for the School District in fiscal year 2018. Property tax revenue increased from the prior fiscal year due to a new operating levy that was passed in November, 2016.

Instruction and support services comprise 32 percent and 48 percent of governmental program expenses, respectively. Overall, expenses decreased \$26,829,983 primarily due to the negative pension expense.

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	
	2018	Restated 2017	2018	Restated 2017
	Instruction	\$10,229,285	\$32,515,204	\$6,531,585
Support Services:				
Pupil and Instructional Staff	2,979,183	4,835,910	2,759,385	4,456,024
Board of Education, Administration, Fiscal, and Business	2,968,764	5,208,954	2,968,764	5,208,954
Operation and Maintenance	4,337,377	4,194,058	4,330,740	4,128,843
Pupil Transportation	4,088,929	3,268,278	3,997,464	3,165,319
Central	1,016,150	398,837	1,016,150	398,837
Operation of Non-Instructional Services	3,626,156	4,072,954	(474,161)	495,984
Extracurricular Activities	1,136,401	1,604,015	848,859	1,287,468
Interest and Fiscal Charges	1,993,727	3,107,745	1,993,727	3,107,745
Total Expenses	<u>\$32,375,972</u>	<u>\$59,205,955</u>	<u>\$23,972,513</u>	<u>\$51,502,160</u>

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 \$62,627,042 and expenditures of \$59,318,488. The net change in fund balances for the year was an increase of \$3,308,554.

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

The General Fund balance increased \$2,605,658 due to revenues exceeding expenditures. General Fund revenues increased \$6,031,920 mainly due to the increase in property tax revenues. Expenditures increased \$3,821,583 due to increased salaries and benefits.

The Debt Service Fund balance increased \$892,952 due to an increase in intergovernmental revenue during fiscal year 2018.

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 2018, 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 while providing 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 an increase of \$2,505,372 in revenues from the original budget to the final budget. This increase is the result of the passage of a new operating levy in November, 2016.

The total increase in expenditures from the original to the final budget was \$1,082,876. This increase is comprised of various changes to several expenditure line items.

Actual expenditures were \$862,344 less than the final budgeted amount, with the largest variances in operation and maintenance of plant and pupil transportation.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$48,421,862 invested in land, land improvements, buildings, equipment, and vehicles. Table 4 shows fiscal year 2018 balances compared to fiscal year 2017:

Kings Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)

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

	Governmental Activities	
	2018	Restated 2017
	Land	\$3,074,466
Construction-in-progress	0	325,525
Land Improvements	1,031,910	1,166,893
Building and Improvements	43,196,982	43,817,517
Furniture and Equipment	998,568	637,552
Vehicles	119,936	125,965
Total Capital Assets	\$48,421,862	\$49,147,918

Net capital assets decreased from the prior fiscal year. Net deductions and depreciation exceeded current year additions, resulting in a net decrease for the fiscal year. The School District continues its ongoing commitment to maintaining and improving its capital assets, which is supported by a 3.0 mill Permanent Improvement Levy, originally passed in 1990 and replaced in 2015 to become a continuing levy. For more information on the School District's capital assets, see Note 8 to the Basic Financial Statements.

Debt

At June 30, 2018, the School District had \$50,537,352 in bonds payable, \$2,386,969 due within one year.

For more information on the School District's debt obligations, see Note 13 to the Basic Financial Statements.

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 Cary Furniss, Treasurer at Kings Local School District, 1797 King Avenue, Kings Mills, Ohio 45034. Or email at Cfurniss@kingslocal.net.

Kings Local School District

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$21,000,777
Inventory Held for Resale	36,389
Materials and Supplies Inventory	5,623
Accrued Interest Receivable	10,233
Accounts Receivable	101,732
Intergovernmental Receivable	309,102
Prepaid Items	50,719
Property Taxes Receivable	39,012,879
Payment in Lieu of Taxes Receivable	1,982,632
Nondepreciable Capital Assets	3,074,466
Depreciable Capital Assets, Net	45,347,396
<i>Total Assets</i>	<u>110,931,948</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	3,859,016
Pension	19,912,078
OPEB	615,758
<i>Total Deferred Outflows of Resources</i>	<u>24,386,852</u>
Liabilities	
Accounts Payable	187,735
Accrued Wages and Benefits Payable	4,854,751
Intergovernmental Payable	867,161
Accrued Interest Payable	144,536
Matured Compensated Absences Payable	51,925
Long-Term Liabilities:	
Due Within One Year	2,526,571
Due In More Than One Year:	
Net Pension Liability (See Note 10)	60,133,136
Net OPEB Liability (See Note 11)	13,892,785
Other Amounts	52,386,902
<i>Total Liabilities</i>	<u>135,045,502</u>
Deferred Inflows of Resources	
Property Taxes	33,959,523
Payment in Lieu of Taxes	1,982,632
Pension	2,244,016
OPEB	1,626,129
<i>Total Deferred Inflows of Resources</i>	<u>39,812,300</u>
Net Position	
Net Investment in Capital Assets	4,037,065
Restricted for:	
Capital Projects	1,535,302
Debt Service	4,600,994
Private Purpose Trust	29,806
Student Managed Activities	32,462
Food Service	58,650
Auxiliary Services	27,243
State and Federal Grants	116,645
Unrestricted (Deficit)	(49,977,169)
<i>Total Net Position (Deficit)</i>	<u><u>(\$39,539,002)</u></u>

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$5,920,398	\$792,477	\$88,158	(\$5,039,763)
Special	4,224,221	250,834	2,559,919	(1,413,468)
Vocational	0	0	3,173	3,173
Student Intervention Services	84,666	3,139	0	(81,527)
Support Services:				
Pupil	2,344,171	0	208,629	(2,135,542)
Instructional Staff	635,012	0	11,169	(623,843)
Board of Education	55,744	0	0	(55,744)
Administration	1,761,198	0	0	(1,761,198)
Fiscal	920,519	0	0	(920,519)
Business	231,303	0	0	(231,303)
Operation and Maintenance of Plant	4,337,377	6,637	0	(4,330,740)
Pupil Transportation	4,088,929	0	91,465	(3,997,464)
Central	1,016,150	0	0	(1,016,150)
Operation of Non-Instructional Services	3,626,156	2,629,584	1,470,733	474,161
Extracurricular Activities	1,136,401	185,074	102,468	(848,859)
Interest and Fiscal Charges	1,993,727	0	0	(1,993,727)
<i>Total Governmental Activities</i>	<u>\$32,375,972</u>	<u>\$3,867,745</u>	<u>\$4,535,714</u>	<u>(23,972,513)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				32,281,654
Debt Service				4,326,705
Capital Outlay				1,097,717
Grants and Entitlements not Restricted to Specific Programs				13,563,177
Gifts and Donations not Restricted to Specific Programs				98,392
Payment in Lieu of Taxes				2,325,139
Investment Earnings				246,470
Miscellaneous				490,777
<i>Total General Revenues</i>				<u>54,430,031</u>
Change in Net Position				30,457,518
<i>Net Position (Deficit) Beginning of Year</i> <i>- Restated (See Note 3)</i>				<u>(69,996,520)</u>
<i>Net Position (Deficit) End of Year</i>				<u><u>(\$39,539,002)</u></u>

See accompanying notes to the basic financial statements

Kings Local School District*Balance Sheet**Governmental Funds**June 30, 2018*

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$14,921,351	\$4,155,568	\$1,923,858	\$21,000,777
Accrued Interest Receivable	10,233	0	0	10,233
Accounts Receivable	101,421	0	311	101,732
Interfund Receivable	1,000	0	0	1,000
Intergovernmental Receivable	78,010	0	231,092	309,102
Prepaid Items	47,523	0	3,196	50,719
Inventory Held for Resale	0	0	36,389	36,389
Materials and Supplies Inventory	0	0	5,623	5,623
Property Taxes Receivable	33,847,919	3,968,050	1,196,910	39,012,879
Payment in Lieu of Taxes Receivable	1,982,632	0	0	1,982,632
<i>Total Assets</i>	<u>50,990,089</u>	<u>8,123,618</u>	<u>3,397,379</u>	<u>62,511,086</u>
Liabilities				
Accounts Payable	109,852	0	77,883	187,735
Accrued Wages and Benefits Payable	4,479,883	0	374,868	4,854,751
Intergovernmental Payable	781,921	0	85,240	867,161
Matured Compensated Absences Payable	51,925	0	0	51,925
Interfund Payable	0	0	1,000	1,000
<i>Total Liabilities</i>	<u>5,423,581</u>	<u>0</u>	<u>538,991</u>	<u>5,962,572</u>
Deferred Inflows of Resources				
Property Taxes	29,537,906	3,378,088	1,043,529	33,959,523
Payment in Lieu of Taxes	1,982,632	0	0	1,982,632
Unavailable Revenue	452,525	48,050	112,903	613,478
<i>Total Deferred Inflows of Resources</i>	<u>31,973,063</u>	<u>3,426,138</u>	<u>1,156,432</u>	<u>36,555,633</u>
Fund Balances				
Nonspendable	47,523	0	8,819	56,342
Restricted	0	4,697,480	1,846,092	6,543,572
Committed	11,000	0	0	11,000
Assigned	2,756,282	0	0	2,756,282
Unassigned (Deficit)	10,778,640	0	(152,955)	10,625,685
<i>Total Fund Balances</i>	<u>13,593,445</u>	<u>4,697,480</u>	<u>1,701,956</u>	<u>19,992,881</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u>\$50,990,089</u>	<u>\$8,123,618</u>	<u>\$3,397,379</u>	<u>\$62,511,086</u>

See accompanying notes to the basic financial statements

Kings Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2018*

Total Governmental Funds Balances		\$19,992,881
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		48,421,862
Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.		
Delinquent Property Taxes	407,879	
Interest	6,862	
Intergovernmental	100,993	
Accounts Receivable	97,744	
Total	613,478	613,478
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(144,536)
Deferred outflows of resources include deferred charges on refunding, which do not provide current financial resources and, therefore, are not reported in the funds.		3,859,016
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	19,912,078	
Deferred Outflows - OPEB	615,758	
Net Pension Liability	(60,133,136)	
Net OPEB Liability	(13,892,785)	
Deferred Inflows - Pension	(2,244,016)	
Deferred Inflows - OPEB	(1,626,129)	
Total	(57,368,230)	(57,368,230)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
General Obligation Bonds Payable	(42,359,752)	
Bond Premiums	(5,909,997)	
Accretion on Capital Appreciation Bonds	(2,267,603)	
Compensated Absences	(4,376,121)	
Total	(54,913,473)	(54,913,473)
<i>Net Position of Governmental Activities</i>		<u><u>(\$39,539,002)</u></u>

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$32,165,121	\$4,286,926	\$1,117,224	\$37,569,271
Intergovernmental	14,625,459	547,955	2,854,253	18,027,667
Investment Earnings	226,535	0	16,792	243,327
Tuition and Fees	948,706	0	1,746,241	2,694,947
Rent	1,977	0	4,660	6,637
Extracurricular Activities	9,609	0	144,956	154,565
Payment in Lieu of Taxes	2,325,139	0	0	2,325,139
Charges for Services	23,044	0	890,808	913,852
Contributions and Donations	97,532	0	103,328	200,860
Miscellaneous	449,082	0	41,695	490,777
<i>Total Revenues</i>	<u>50,872,204</u>	<u>4,834,881</u>	<u>6,919,957</u>	<u>62,627,042</u>
Expenditures				
Current:				
Instruction:				
Regular	22,013,196	0	600,904	22,614,100
Special	6,797,887	0	898,717	7,696,604
Student Intervention Services	84,666	0	0	84,666
Support Services:				
Pupil	3,515,480	0	216,164	3,731,644
Instructional Staff	1,137,570	0	21,245	1,158,815
Board of Education	55,744	0	0	55,744
Administration	3,686,163	0	0	3,686,163
Fiscal	933,215	51,584	13,466	998,265
Business	270,550	0	0	270,550
Operation and Maintenance of Plant	3,259,252	0	260,084	3,519,336
Pupil Transportation	3,887,670	0	20,245	3,907,915
Central	1,036,588	0	0	1,036,588
Operation of Non-Instructional Services	16,136	0	4,133,262	4,149,398
Extracurricular Activities	1,341,029	0	268,989	1,610,018
Capital Outlay	0	0	638,324	638,324
Debt Service:				
Principal Retirement	160,000	2,120,000	36,173	2,316,173
Interest and Fiscal Charges	71,400	1,770,345	2,440	1,844,185
<i>Total Expenditures</i>	<u>48,266,546</u>	<u>3,941,929</u>	<u>7,110,013</u>	<u>59,318,488</u>
<i>Net Change in Fund Balances</i>	2,605,658	892,952	(190,056)	3,308,554
<i>Fund Balances Beginning of Year</i>				
- Restated (See Note 3)	<u>10,987,787</u>	<u>3,804,528</u>	<u>1,892,012</u>	<u>16,684,327</u>
<i>Fund Balances End of Year</i>	<u>\$13,593,445</u>	<u>\$4,697,480</u>	<u>\$1,701,956</u>	<u>\$19,992,881</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, 2018*

Net Change in Fund Balances - Total Governmental Funds \$3,308,554

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense. This is the amount by which depreciation
exceeded capital outlay in the current period:

Capital Asset Additions	1,156,212	
Current Year Depreciation	<u>(1,690,030)</u>	
Total		(533,818)

Governmental funds only report the disposal of capital assets to the
extent proceeds are received from the sale. In the Statement of
Activities, a gain or loss is reported for each disposal. (192,238)

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds:

Delinquent Property Taxes	136,805	
Intergovernmental	(32,633)	
Interest	4,532	
Tuition and Fees	<u>97,744</u>	
Total		206,448

Accretion and amortization of bond premiums, the deferred charge on
refunding debt, as well as accrued interest payable on the bonds are
not reported in the funds, but are allocated as an expense over the
life of the debt in the Statement of Activities:

Accrued Interest	6,553	
Amortization of Deferred Charge on Refunding	(247,230)	
Amortization of Premium on Bonds	469,988	
Accretion of Capital Appreciation Bonds	<u>(378,853)</u>	
Total		(149,542)

Repayment of bond, loan, and lease principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities
in the Statement of Net Position.

Bond payments	2,316,173
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Contractually required contributions are reported as expenditures in
governmental funds; however, the Statement of Net Position
reports these amounts as deferred outflows.

Pension	4,311,816	
OPEB	<u>164,724</u>	
		4,476,540

Except for amounts reported as deferred inflows/outflows,
changes in the net pension liability are reported as
pension expense in the Statement of Activities.

Pension	17,725,404	
OPEB	<u>1,972,730</u>	
		19,698,134

Some expenses reported in the Statement of Activities do not require
the use of current financial resources and, therefore, are not
reported as expenditures in governmental funds.

Compensated Absences	<u>1,327,267</u>
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Change in Net Position of Governmental Activities \$30,457,518

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, 2018

	Budget Amounts			Variance With Final Budget Over/Under
	Original	Final	Actual	
Revenues				
Property Taxes	\$29,737,006	\$31,928,457	\$31,928,457	\$0
Intergovernmental	14,370,352	14,272,234	14,608,690	336,456
Investment Earnings	34,073	150,000	235,807	85,807
Tuition and Fees	937,573	1,013,917	1,064,345	50,428
Rent	44,493	14,493	11,899	(2,594)
Extracurricular Activities	907	675	675	0
Payments in Lieu of Taxes	2,053,186	2,303,186	2,895,922	592,736
Charges for Services	23,884	23,884	22,270	(1,614)
Contributions and Donations	99,651	99,651	94,642	(5,009)
Miscellaneous	79,821	79,821	44,159	(35,662)
<i>Total Revenues</i>	<u>47,380,946</u>	<u>49,886,318</u>	<u>50,906,866</u>	<u>1,020,548</u>
Expenditures				
Current:				
Instruction:				
Regular	38,142,354	22,075,550	22,062,719	12,831
Special	1,561,713	6,857,300	6,748,769	108,531
Student Intervention Services	0	87,685	84,666	3,019
Support Services:				
Pupil	724,295	3,418,210	3,360,307	57,903
Instructional Staff	100,909	1,265,790	1,253,173	12,617
Board of Education	60,543	66,267	55,744	10,523
Administration	339,026	3,705,249	3,643,314	61,935
Fiscal	396,797	957,400	944,135	13,265
Business	12,459	270,196	261,980	8,216
Operation and Maintenance of Plant	1,696,552	3,567,152	3,300,028	267,124
Pupil Transportation	3,836,958	4,160,465	3,900,786	259,679
Central	354,712	803,245	787,863	15,382
Operation of Non-Instructional Services	6,500	17,075	16,136	939
Extracurricular Activities	29,515	1,098,350	1,067,970	30,380
Debt Service:				
Principal Retirement	160,000	160,000	160,000	0
Interest and Fiscal Charges	76,125	71,400	71,400	0
<i>Total Expenditures</i>	<u>47,498,458</u>	<u>48,581,334</u>	<u>47,718,990</u>	<u>862,344</u>
Excess of Revenues Over (Under) Expenditures	<u>(117,512)</u>	<u>1,304,984</u>	<u>3,187,876</u>	<u>1,882,892</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	70,000	71,349	1,349
Advances Out	0	0	(1,000)	(1,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>70,000</u>	<u>70,349</u>	<u>349</u>
<i>Net Change in Fund Balance</i>	<u>(117,512)</u>	<u>1,374,984</u>	<u>3,258,225</u>	<u>1,883,241</u>
<i>Fund Balance at Beginning of Year</i>	<u>10,623,883</u>	<u>10,623,883</u>	<u>10,623,883</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>472,130</u>	<u>472,130</u>	<u>472,130</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$10,978,501</u>	<u>\$12,470,997</u>	<u>\$14,354,238</u>	<u>\$1,883,241</u>

See accompanying notes to the basic financial statements

Kings Local School District
Statement of Fiduciary Net Position
Agency Funds
June 30, 2018

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$242,065</u>
Liabilities	
Undistributed Monies	179,435
Due to Students	<u>62,630</u>
<i>Total Liabilities</i>	<u>\$242,065</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, 2018

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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Kings Local School District, this includes general operations, food service, preschool, latchkey, and student-related activities of the School District.

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, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District has no component units.

The following activities are included within the reporting entity:

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 schools by the Treasurer of the School District, as directed by the parochial school. This activity is reflected as a nonmajor special revenue fund for financial reporting purposes.

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are presented in Note 15 to the Basic Financial Statements. These organizations are:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Jointly Governed Organizations:

Southwest Ohio Computer Association
Warren County Career Center

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Kings Local 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 standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental 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 program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Debt Service Fund - The Debt Service Fund is used to account for and report the accumulation of resources restricted 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 nonmajor governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: two agency funds, one used to account for student-managed activity programs and the other used to account for Ohio High School Athletic Association monies.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary fund reporting focuses on net position and changes in net position. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two agency funds, which are used to account for student managed activity programs, deductions from payroll for the School District's employees, and athletic tournament ticket sales.

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 and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, 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, 2018

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 that the resources are 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 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, payment in lieu of taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes and payment in lieu of taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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 fiscal 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 non-exchange 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 for advance, tuition and fees, and grants.

Deferred Inflows/Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11, respectively.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, payment in lieu of taxes, pension, OPEB plans and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District,

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

unavailable revenue includes delinquent property taxes, interest, intergovernmental grants, and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 16. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11, respectively)

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 the governmental funds.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2018, the School District's investments were limited to Commercial Paper, STAR Ohio, First American Treasury Mutual Fund, Federal Farm Credit Bank Notes, Federal National Mortgage Association Notes, US Treasury Notes, US Treasury Bills and Negotiable Certificates of Deposit.

Investments, except for STAR Ohio, are reported at fair value which is based on quoted market prices. For investments in open-end mutual funds, the fair value is determined by the fund's current share price.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2018 was \$226,535, which included \$53,648 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable/Payable." Interfund balances are eliminated on the Statement of Net Position.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

Inventory

On the Government-wide financial statements, purchased inventories are presented at the lower of cost or market. And donated commodities are presented at the entitlement value. Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and purchased food held for resale.

Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. 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 Position but are not reported in the fund financial statements.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of \$5,000. 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, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

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 5 years of service.

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditures to the extent that 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 will be paid.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits. Bonds are recognized as a liability in the governmental fund financial statements when due.

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 are 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 are 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 the highest level of 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 Board of Education. In the General Fund, assigned amounts include amounts to be assigned by principals for extracurricular activities. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Treasurer assigned fund balance to cover a gap between estimated revenue and appropriations in the 2019 appropriation budget.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 fund balance.

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 balances, 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.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes Capital projects, debt service, private purpose trust, student managed activities, food services, auxiliary services and federal and State grants restricted to expenditures for specified purposes.

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

Internal Activity

Internal allocations of overhead expenses from one function to another, or within the same function, are eliminated on the Statement of Activities. Interfund payments for 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 and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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. Although 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 was in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements 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.

Bond Premiums and Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums 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. Capital appreciation bonds are accreted each fiscal 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.

On the governmental fund financial statements, bond premiums are recognized in the period in which the bonds were issued. Accretion on the capital appreciation bonds is not reported. Interest on the capital appreciation bonds is recorded as an expenditure when the debt becomes due.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 3 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The effect of this implementation on net position as reported at June 30, 2017 is presented in the following tables.

For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District’s fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

In fiscal year 2018, the School District determined that the Food Service, Latchkey, and Preschool Funds should be presented as Governmental Funds rather than Enterprise Funds. The classification change was due to the fact that these funds do not meet the criteria mandating them to be Enterprise Funds. The change in fund classification had the following effect on the fund balance and net position as they were previously reported.

Governmental Funds - Restatement	Nonmajor Governmental Funds	Enterprise Funds - Restatement	Other Enterprise Funds
Fund Balance June 30, 2017	\$1,812,759	Net Position June 30, 2017	(\$3,151,804)
Adjustments:		Adjustments:	
Current Assets	331,719	Current Assets	(331,719)
Current Liabilities	(252,466)	Current Liabilities	252,466
Restated Fund Balance		Capital Assets	(110,554)
June 30, 2017	\$1,892,012	Deferred Outflows	(1,226,984)
		Long-term Liabilities	4,520,006
		Deferred Inflows	48,589
		Restated Net Position June 30, 2017	\$0

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	Nonmajor Governmental Funds	Other Enterprise Funds
Net Position (Deficit) June 30, 2017	(\$49,804,106)	(\$3,151,804)
Adjustments:		
Current Assets	331,719	(331,719)
Current Liabilities	(252,466)	252,466
Capital Assets	110,554	(110,554)
Deferred Outflows - Change in Fund Classification	1,190,227	(1,226,984)
Long-term Liabilities - Change in Fund Classification	(4,520,006)	4,520,006
Deferred Inflow - Change in Fund Classification	(11,832)	48,589
Net OPEB Liability	(17,167,155)	0
Deferred Outflow - Payments Subsequent to Measurement Date	126,545	0
Restated Net Position (Deficit) June 30, 2017	(\$69,996,520)	\$0

Note 4 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances 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 and Actual (Budget Basis) is presented for the General Fund 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures and other financing uses 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. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).
5. Budgetary revenues and expenditures of the Public School Support Fund, the Underground Storage Tank Fund and the CES Choir Fund are classified to the General Fund for GAAP reporting.

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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balance	
GAAP Basis	\$2,605,658
Adjustments:	
Revenue Accruals	431,224
Expenditure Accruals	546,603
Encumbrances	(437,592)
Decrease in Fair Value of Investments - 2017	(30,436)
Decrease in Fair Value of Investments - 2018	39,271
Perspective Difference	
Public School Support Fund	104,497
Advances	(1,000)
Budget Basis	\$3,258,225

Note 5 – Deposits and Investments

Monies held by the School District are classified by State Statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active 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 that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the School District can be deposited or invested in the following securities:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Investments

At June 30, 2018, the School District had the following investments:

Measurement/Investment	Amount	Maturity	Rating	Investments
Net Asset Value per Share:				
STAR Ohio	\$8,806,277	48.9 days	AAAm	N/A
Fair Value - Level 1 Inputs:				
First American Treasury Mutual Fund	3,294	Less than one year	N/A	N/A
Fair Value - Level 2 Inputs:				
Commercial Paper	4,963,070	Less than one year	A-1 to A-1+	24.29%
Federal Farm Credit Bank Notes	393,248	Less than two years	AA+	N/A
Federal National Mortgage Association Notes	1,596,247	Less than three years	AA+	7.81
US Treasury Notes	2,207,858	Less than one year	AA+	10.80
US Treasury Bills	1,982,444	Less than one year	A-1+	9.70
Negotiable Certificates of Deposit	484,232	Less than three years	N/A	N/A
Total Investments	<u>\$20,436,670</u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. To date, no investments have been purchased with a life greater than five years.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Standard and Poor's ratings for the School District's investments are listed in the table above. The School District has no policy on credit risk beyond the requirements in State statutes.

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 beyond the requirements in State Statutes.

Note 6 – 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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017 on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, 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.

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, 2018 are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Accrued property taxes receivable includes real property and public utility property taxes that are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows - property taxes.

The amount available as an advance at June 30, 2018 was \$4,645,477 and is recognized as revenue: \$3,962,094 in the General Fund, \$541,912 in the Debt Service Fund, and \$141,471 in the nonmajor governmental funds. The amount available as an advance at June 30, 2017 was \$3,725,430 in the General Fund, \$505,840 in the Debt Service Fund, and \$133,153 in the nonmajor governmental funds.

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 reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which fiscal year 2018 taxes were collected are:

	2017 Second - Half Collections		2018 First - Half Collections	
	Amount	Percentage	Amount	Percentage
Real Estate	\$753,134,850	97.57%	\$787,837,500	97.46%
Public Utility Personal	18,747,790	2.43%	20,493,290	2.54%
Total Assessed Value	<u>\$771,882,640</u>	<u>100.00%</u>	<u>\$808,330,790</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$77.53		\$77.53	

Note 7 – Receivables

Receivables at June 30, 2018 consisted of accrued interest, accounts (student fees, sales, and reimbursements), interfund, intergovernmental grants, property taxes, and payment 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 collected within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

The School District receives payment in lieu of taxes from multiple Tax Increment Financing Agreements that were entered into between the School District and corporations. These payments will be received based on each individual agreement.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Title VI-B	\$145,207
Title III	12,256
Title I	46,537
IDEA Early Childhood Special Education	562
Title II-A	23,046
Medicaid Reimbursement	8,090
State Foundation Adjustment	563
Bureau of Worker's Compensation	69,357
Summer Lunch Program	3,484
Total Intergovernmental Receivables	\$309,102

Note 8 – Capital Assets

During fiscal year 2018, the School District change the fund classification of the Food Service, Latchkey and Preschool Funds from enterprise to governmental funds. This change resulted in restatements to the capital assets. Capital assets activity for the fiscal year ended June 30, 2018 was as follows:

	Restated Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$3,074,466	\$0	\$0	\$3,074,466
Construction in Progress	325,525	459,450	(784,975)	0
Total Capital Assets Not Being Depreciated	3,399,991	459,450	(784,975)	3,074,466
Capital Assets Being Depreciated:				
Land Improvements	4,986,536	0	0	4,986,536
Buildings and Improvements	67,795,289	662,565	0	68,457,854
Furniture and Equipment	3,803,348	761,033	(268,787)	4,295,594
Vehicles	2,102,418	58,139	(974,732)	1,185,825
Total Capital Assets Being Depreciated	\$78,687,591	\$1,481,737	(\$1,243,519)	\$78,925,809

(continued)

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	Restated Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
Less Accumulated Depreciation:				
Land Improvements	(\$3,819,643)	(\$134,983)	\$0	(\$3,954,626)
Buildings and Improvements	(23,977,772)	(1,283,100)	0	(25,260,872)
Furniture and Equipment	(3,165,796)	(207,779)	76,549	(3,297,026)
Vehicles	(1,976,453)	(64,168)	974,732	(1,065,889)
Total Accumulated Depreciation	<u>(32,939,664)</u>	<u>(1,690,030) *</u>	<u>1,051,281</u>	<u>(33,578,413)</u>
Total Capital Assets Being Depreciated, Net	<u>45,747,927</u>	<u>(208,293)</u>	<u>(192,238)</u>	<u>45,347,396</u>
Governmental Activities Capital Assets, Net	<u>\$49,147,918</u>	<u>\$251,157</u>	<u>(\$977,213)</u>	<u>\$48,421,862</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$101,800
Special	1,680
Support Services:	
Administration	2,643
Fiscal	417
Operation and Maintenance of Plant	1,352,441
Pupil Transportation	181,014
Operation of Non-Instructional Services	45,039
Extracurricular Activities	4,996
Total Depreciation Expense	<u>\$1,690,030</u>

Note 9 – 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 2018, the School District contracted with Wells Fargo Insurance for fleet insurance and liability insurance. Property is also protected by Wells Fargo Insurance.

Settled claims have not exceeded the commercial coverage in any of the past three years. There has been no significant reduction in coverage since last year.

Workers' Compensation

For fiscal year 2018, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). 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

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

Note 10 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$1,042,199 for fiscal year 2018. Of this amount \$116,316 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS 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. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$3,269,617 for fiscal year 2018. Of this amount \$562,778 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.23392440%	0.19480763%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.23089600%</u>	<u>0.19506290%</u>	
Change in Proportionate Share	<u>-0.00302840%</u>	<u>0.00025527%</u>	
Proportionate Share of the Net			
Pension Liability	\$13,795,526	\$46,337,610	\$60,133,136
Pension Expense	(\$486,383)	(\$17,239,021)	(\$17,725,404)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$593,712	\$1,789,341	\$2,383,053
Changes of assumptions	713,377	10,134,544	10,847,921
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	273,114	2,096,174	2,369,288
School District contributions subsequent to the measurement date	<u>1,042,199</u>	<u>3,269,617</u>	<u>4,311,816</u>
Total Deferred Outflows of Resources	<u>\$2,622,402</u>	<u>\$17,289,676</u>	<u>\$19,912,078</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$0	\$373,463	\$373,463
Net difference between projected and actual earnings on pension plan investments	65,484	1,529,195	1,594,679
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>188,224</u>	<u>87,650</u>	<u>275,874</u>
Total Deferred Outflows of Resources	<u>\$253,708</u>	<u>\$1,990,308</u>	<u>\$2,244,016</u>

\$4,311,816 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	\$628,571	\$2,738,351	\$3,366,922
2020	863,893	4,818,584	5,682,477
2021	155,634	3,657,118	3,812,752
2022	(321,603)	815,698	494,095
Total	\$1,326,495	\$12,029,751	\$13,356,246

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$19,144,605	\$13,765,526	\$9,314,581

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$66,423,387	\$46,337,610	\$29,418,354

Note 11 – Defined Benefit OPEB Plans

See note 10 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$126,124.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$164,724 for fiscal year 2018. Of this amount \$130,432 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System of Ohio (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.23676900%	0.19480763%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.23408220%</u>	<u>0.19506290%</u>	
Change in Proportionate Share	<u>-0.00268680%</u>	<u>0.00025527%</u>	
Proportionate Share of the Net			
OPEB Liability	\$6,282,151	\$7,610,634	\$13,892,785
OPEB Expense	\$347,675	(\$2,320,405)	(\$1,972,730)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$439,332	\$439,332
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	11,702	11,702
School District contributions subsequent to the measurement date	<u>164,724</u>	<u>0</u>	<u>164,724</u>
Total Deferred Outflows of Resources	<u>\$164,724</u>	<u>\$451,034</u>	<u>\$615,758</u>
Deferred Inflows of Resources			
Changes of assumptions	\$596,144	\$613,061	\$1,209,205
Net difference between projected and actual earnings on OPEB plan investments	16,590	325,297	341,887
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>75,037</u>	<u>0</u>	<u>75,037</u>
Total Deferred Inflows of Resources	<u>\$687,771</u>	<u>\$938,358</u>	<u>\$1,626,129</u>

\$164,724 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2019	(\$247,329)	(\$108,329)	(\$355,658)
2020	(247,329)	(108,329)	(355,658)
2021	(188,966)	(108,329)	(297,295)
2022	(4,147)	(108,330)	(112,477)
2023	0	(27,005)	(27,005)
Thereafter	0	(27,002)	(27,002)
Total	(\$687,771)	(\$487,324)	(\$1,175,095)

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017, was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017, was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$7,586,498	\$6,282,151	\$5,248,776

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$5,097,495	\$6,282,151	\$7,850,064

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 10.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$10,217,155	\$7,610,634	\$5,550,632

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$5,287,543	\$7,610,634	\$10,668,095

Note 12 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 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, Athletic Director, Food Service Director, and Preschool 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 300 days for certified and classified employees and 45 days beyond contract year for administrators. Upon retirement, certified and classified employees are paid for one-fourth of their accrued, but unused sick leave credit to a maximum of 65 days with 5 to 11 years of service, or 87 days with more than 12 years of service. Upon retirement, administrators are paid for one-half of their accrued, but unused sick leave.

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 the employee, depending on the terms of the union contract.

Note 13 – Long-Term Obligations

During fiscal year 2018, the School district change the fund classification of the Food Service, Latchkey and Preschool Funds from enterprise to governmental funds. This change resulted in restatement of the long-term obligations. The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	Restated Amount Outstanding 6/30/17	Additions	Deductions	Amount Outstanding 6/30/18	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2004 School Improvement 2.00-4.125%					
Capital Appreciation Bonds	\$305,000	\$0	\$0	\$305,000	\$0
Interest Accretion	1,257,048	207,308	0	1,464,356	0
2013A School Improvement Refunding					
Current Interest 3.25-5.00%	21,605,000	0	0	21,605,000	0
Capital Appreciation Bond	760,000	0	0	760,000	0
Interest Accretion	406,066	104,230	0	510,296	0
Premium	3,875,543	0	227,973	3,647,570	0
2013B School Improvement Refunding					
Current Interest 3.50-5.00%	13,190,000	0	2,120,000	11,070,000	2,190,000
Capital Appreciation Bond	235,000	0	0	235,000	0
Interest Accretion	225,636	67,315	0	292,951	0
Premium	1,575,309	0	175,035	1,400,274	0
2015 Turf Project Bonds 2.20%					
Bonds	110,925	0	36,173	74,752	36,969
Premium	1,197	0	479	718	0
2015 HB264 Bonds 3.00%					
Bonds	2,460,000	0	160,000	2,300,000	160,000
Premium	27,395	0	2,177	25,218	0
2015 School Improvement Refunding 4.00-5.00%					
Bonds	6,010,000	0	0	6,010,000	0
Premium	900,541	0	64,324	836,217	0
Total General Obligation Bonds	<u>52,944,660</u>	<u>378,853</u>	<u>2,786,161</u>	<u>50,537,352</u>	<u>2,386,969</u>
<u>Other Long-Term Obligations:</u>					
Net Pension Liability:					
SERS	17,121,108	0	3,325,582	13,795,526	0
STRS	65,207,987	0	18,870,377	46,337,610	0
Total Net Pension Liability	<u>82,329,095</u>	<u>0</u>	<u>22,195,959</u>	<u>60,133,136</u>	<u>0</u>
Net OPEB Liability:					
SERS	6,748,792	0	466,641	6,282,151	0
STRS	10,418,363	0	2,807,729	7,610,634	0
Total Net OPEB Liability	<u>17,167,155</u>	<u>0</u>	<u>3,274,370</u>	<u>13,892,785</u>	<u>0</u>
Compensated Absences	5,703,388	219,074	1,546,341	4,376,121	139,602
Total Other Long-Term Obligations	<u>105,199,638</u>	<u>219,074</u>	<u>27,016,670</u>	<u>78,402,042</u>	<u>139,602</u>
Total Governmental Activities Long-Term Obligations	<u>\$158,144,298</u>	<u>\$597,927</u>	<u>\$29,802,831</u>	<u>\$128,939,394</u>	<u>\$2,526,571</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 vary through December 1, 2033. The interest rates vary from 2.00% to 5.00%.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

In April 2004, the School District issued \$7,660,000 in School Improvement Refunding Bonds for the purpose of advance refunding a portion of the 1994 School Improvement Bonds and 1995 School Improvement Bonds, \$7,350,000 were serial bonds and \$305,000 were capital appreciation bonds. The bonds were issued for an 18 year period, with final maturity on December 1, 2021.

The capital appreciation bonds will mature in fiscal years 2021 and 2022. The maturity amounts of the capital appreciation bonds will be \$1,260,000 and \$1,310,000, respectively.

In February 2013, the School District issued \$22,365,000 in the Series 2013A School Improvement Bonds for the purpose of advance refunding a portion of the 1995 School Improvement Bonds, the 2000 School Improvement Bonds, and the 2007 School Improvement Bonds. \$21,605,000 were serial bonds, and \$760,000 were capital appreciation bonds. Also in February 2013, the School District issued \$18,420,000 in the Series 2013B School Improvement Bonds for the purpose of advance refunding a portion of the 2004 School Improvement Bonds. \$18,185,000 were serial bonds, and \$235,000 were capital appreciation bonds. The bonds were issued for a 20-year period, with final maturity in December 2033.

The School District defeased the various school improvement bonds by placing a portion of the proceeds of the new bonds in an escrow account with the Bank of New York Mellon Trust Company to provide for all future debt service payments due on the old bonds. Accordingly, the escrow account assets and the liability of the defeased bonds are not included in the School District's financial statements. During fiscal year 2018, the defeased bonds were paid off, therefore, none of the refunded bonds were outstanding as of June 30, 2018.

The capital appreciation bonds will mature in fiscal years 2021, 2022, 2024, and 2027. The maturity amounts of the capital appreciation bonds will be \$1,365,000, \$1,310,000, \$1,075,000, and \$2,745,000, respectively.

On January 27, 2015, the School District issued \$175,000 in General Obligation bonds for the purpose of replacing the turf at the athletic stadium. The bonds were issued for a five year period paying interest at 2.2 percent. The bonds will mature December 1, 2019. The bonds will be paid from Nonmajor Governmental Funds.

On February 6, 2015, the School District issued \$2,735,000 in General Obligation bonds for the purpose on making energy conservation improvements to the School District's various buildings. The bonds were issued to pay three percent interest and with final maturity on December 1, 2029. The bonds will be paid from the General Fund.

In July of 2015, the School District issued \$6,010,000 Series 2015 School Improvement General Obligation refunding bonds. The bonds were issued for the purposes of refunding a portion of the School District's General Obligation Bonds, Series 2007 and additions to school facilities, site acquisition, and providing equipment. The bonds will mature on December 1, 2030. The bonds will be paid from the Debt Service Fund.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Compensated absences will be paid from the General Fund, and the Food Service, Latchkey/Preschool and Auxiliary Services special revenue funds. General obligation bonds will be paid from the General, Debt Service, and Nonmajor Governmental funds. There is no repayment schedule for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the following funds: General, Food Service, Latchkey/Preschool, Auxiliary Services, IDEA Part B Special Education, Title III, and IDEA Preschool. For additional information related to the net pension/OPEB liabilities see Notes 10 and 11.

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

Fiscal Year Ending June 30,	Serial Bonds		Capital Appreciation		Total
	Principal	Interest	Principal	Interest	
2019	\$2,386,969	\$1,760,427	\$0	\$0	\$4,147,396
2020	2,562,783	1,669,126	0	0	4,231,909
2021	1,255,000	1,648,976	210,000	1,155,000	4,268,976
2022	1,365,000	1,534,332	145,000	1,165,000	4,209,332
2023	2,805,000	1,447,576	0	0	4,252,576
2024-2028	11,110,000	5,721,770	945,000	2,875,000	20,651,770
2029-2033	15,920,000	2,846,025	0	0	18,766,025
2034	3,655,000	82,625	0	0	3,737,625
Total	\$41,059,752	\$16,710,857	\$1,300,000	\$5,195,000	\$64,265,609

The School District's overall legal debt margin was \$35,119,896 with an unvoted debt margin of \$808,331, and an Energy Conservation debt margin of \$4,974,977 at June 30, 2018. The Debt Service Fund had \$4,697,480 in fund balance available for payment of the general obligation bonds.

Note 14 – Interfund Activity

As of June 30, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

Payable	Receivable
	General Fund
Nonmajor Governmental Funds	\$1,000

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 15 – Jointly Governed Organizations and Insurance Purchasing Pool

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. The Board exercises total control over the operations of the consortium including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Donna Davis-Norris, 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. The Board exercises total control over the operations of the center including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Rick Smith, Superintendent, at 3525 State Route 48, Lebanon, Ohio 45036.

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.

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 16 – Set-Aside Calculations

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.

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

	Capital Acquisition
Set-aside Balance as of June 30, 2017	\$0
Current Fiscal Year Set-aside Requirement	779,042
Qualifying Disbursements	(779,042)
Set-aside Balance as of June 30, 2018	\$0

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 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.

Note 17 - Accountability

At June 30, 2018, the following funds had deficit fund balances:

Funds	Amounts
Latchkey	\$117,419
IDEA Part B	26,037
Preschool	9,499
Total Funds	\$152,955

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 18 – 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 as follows:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Fund Balances	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>				
Prepays	\$47,523	\$0	\$3,196	\$50,719
Inventory	0	0	5,623	5,623
<i>Total Nonspendable</i>	47,523	0	8,819	56,342
<i>Restricted for:</i>				
Capital Projects	0	0	1,523,392	1,523,392
Debt Service	0	4,697,480	0	4,697,480
Private Purpose Trust	0	0	29,806	29,806
Student Managed Activities	0	0	32,462	32,462
Food Service	0	0	153,638	153,638
Auxiliary Services	0	0	64,543	64,543
State and Federal Grants	0	0	42,251	42,251
<i>Total Restricted</i>	0	4,697,480	1,846,092	6,543,572
<i>Committed to:</i>				
Underground Storage Tank	11,000	0	0	11,000
<i>Assigned to:</i>				
Purchases on Order	380,715	0	0	380,715
Principal's Discretion	157,794	0	0	157,794
Future Appropriations	2,217,773	0	0	2,217,773
<i>Total Assigned</i>	2,756,282	0	0	2,756,282
<i>Unassigned:</i>	10,778,640	0	(152,955)	10,625,685
<i>Total Fund Balances</i>	\$13,593,445	\$4,697,480	\$1,701,956	\$19,992,881

Note 19 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrances accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

Kings Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

General Fund	\$463,562
Nonmajor Governmental Funds	633,005
Total	<u><u>\$1,096,567</u></u>

Note 20 – Contingencies

Grants

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. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

Litigation

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

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Required Supplementary Information

Kings Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.23089600%	0.23392440%	0.22576180%
School District's Proportionate Share of the Net Pension Liability	\$13,795,526	\$17,121,108	\$12,882,188
School District's Covered Payroll	\$6,743,986	\$7,947,679	\$6,876,502
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	204.56%	215.42%	187.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>
0.22517800%	0.22517800%
\$11,396,130	\$13,390,613
\$6,562,771	\$3,757,198
173.65%	356.40%
71.70%	65.52%

Kings Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.23408220%	0.23676900%
School District's Proportionate Share of the Net OPEB Liability	\$6,282,151	\$6,748,792
School District's Covered Payroll	\$6,743,986	\$7,947,679
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	93.15%	84.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Kings Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Teachers Retirement System of Ohio
Last Five Fiscal Years (1)

	2018	2017	2016
School District's Proportion of the Net Pension Liability	0.19506290%	0.19480763%	0.18281586%
School District's Proportionate Share of the Net Pension Liability	\$46,337,610	\$65,207,987	\$50,524,959
School District's Covered Payroll	\$21,300,264	\$21,251,257	\$19,834,907
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered - Payroll	217.54%	306.84%	254.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

<u>2015</u>	<u>2014</u>
0.18381352%	0.18381352%
\$44,709,810	\$53,258,033
\$18,820,086	\$18,272,292
237.56%	291.47%
74.70%	69.30%

Kings Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

	2018	2017
School District's Proportion of the Net OPEB Liability	0.01950629%	0.19480763%
School District's Proportionate Share of the Net OPEB Liability	\$7,610,634	\$10,418,363
School District's Covered Payroll	\$21,300,264	\$21,251,257
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered - Payroll	35.73%	49.02%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	37.30%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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Kings Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$1,042,199	\$944,158	\$1,112,675	\$906,323
Contributions in Relation to the Contractually Required Contribution	<u>(1,042,199)</u>	<u>(944,158)</u>	<u>(1,112,675)</u>	<u>(906,323)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$7,719,993	\$6,743,986	\$7,947,679	\$6,876,502
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$164,724	\$126,545	\$118,572	\$174,550
Contributions in Relation to the Contractually Required Contribution	<u>(164,724)</u>	<u>(126,545)</u>	<u>(118,572)</u>	<u>(174,550)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.13%</u>	<u>1.88%</u>	<u>1.49%</u>	<u>2.54%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.63%</u>	<u>15.88%</u>	<u>15.49%</u>	<u>15.72%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Fiscal years 2013-2018 include Surcharge. Surcharge information is not available for fiscal years 2012 and prior.

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$909,600	\$519,996	\$567,675	\$802,208	\$731,109	\$748,586
<u>(909,600)</u>	<u>(519,996)</u>	<u>(567,675)</u>	<u>(802,208)</u>	<u>(731,109)</u>	<u>(748,586)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,562,771	\$3,757,198	\$4,220,630	\$6,381,922	\$5,387,684	\$7,607,580
<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.57%</u>	<u>9.84%</u>
\$121,281	\$111,315	\$23,213	\$91,261	\$24,838	\$316,475
<u>(121,281)</u>	<u>(111,315)</u>	<u>(23,213)</u>	<u>(91,261)</u>	<u>(24,838)</u>	<u>(316,475)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.85%</u>	<u>2.96%</u>	<u>0.55%</u>	<u>1.43%</u>	<u>0.46%</u>	<u>4.16%</u>
<u>15.71%</u>	<u>16.80%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.03%</u>	<u>14.00%</u>

Kings Local School District
Required Supplementary Information
Schedule of the School District's Contributions
School Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability				
Contractually Required Contribution	\$3,269,617	\$2,982,037	\$2,975,176	\$2,776,887
Contributions in Relation to the Contractually Required Contribution	<u>(3,269,617)</u>	<u>(2,982,037)</u>	<u>(2,975,176)</u>	<u>(2,776,887)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll	\$23,354,407	\$21,300,264	\$21,251,257	\$19,834,907
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

See accompanying notes to the required supplementary information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$2,446,611	\$2,375,398	\$2,349,714	\$2,531,965	\$2,567,119	\$2,476,411
<u>(2,446,611)</u>	<u>(2,375,398)</u>	<u>(2,349,714)</u>	<u>(2,531,965)</u>	<u>(2,567,119)</u>	<u>(2,476,411)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$18,820,086	\$18,272,292	\$18,074,723	\$19,476,654	\$19,747,069	\$19,049,315
<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$188,201	\$182,723	\$180,747	\$194,767	\$197,471	\$190,493
<u>(188,201)</u>	<u>(182,723)</u>	<u>(180,747)</u>	<u>(194,767)</u>	<u>(197,471)</u>	<u>(190,493)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

Kings Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions – SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Kings Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions – SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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SUPPLEMENTARY INFORMATION

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**KINGS LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
(C) School Breakfast Program	10.553	2018	\$ 61,153
(C) National School Lunch Program	10.555	2018	411,652
(D) National School Lunch Program - Food Donation	10.555	2018	89,652
Total National School Lunch Program			501,304
(C) Summer Food Service Program	10.559	2018	4,823
<i>Passed Through the Lockland City School District</i>			
(C) School Breakfast Program	10.553	2018	85,257
(C) National School Lunch Program	10.555	2018	186,692
(D) National School Lunch Program - Food Donation	10.555	2018	18,723
Total National School Lunch Program			205,415
Total U.S. Department of Agriculture and Child Nutrition Cluster			857,952
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2017	80,495
Title I Grants to Local Educational Agencies	84.010	2018	199,574
(F) Title I Grants to Local Educational Agencies	84.010	2018	8,170
Total Title I Grants to Local Educational Agencies			288,239
Special Education Cluster:			
Special Education Grants to States	84.027	2017	91,448
Special Education Grants to States	84.027	2018	771,492
Total Special Education Grants to States			862,940
Special Education Preschool Grants	84.173	2018	20,796
Total Special Education Cluster			883,736
English Language Acquisition State Grants - Title III - Language Instruction for English Learners	84.365	2018	22,776
English Language Acquisition State Grants - Title III - Immigrant	84.365	2018	5,714
Total English Language Acquisition State Grants - Title III			28,490
Title II-A Supporting Effective Instruction	84.367	2017	22,285
Title II-A Supporting Effective Instruction	84.367	2018	55,940
Total Title II-A Supporting Effective Instruction			78,225
Total U.S. Department of Education			1,278,690
Total Federal Financial Assistance			\$ 2,136,642

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2018.
- (B) This schedule includes the federal award activity of the Kings Local School District under programs of the federal government for the fiscal year ended June 30, 2018 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Kings Local School District, it is not intended to and does not present the financial position or changes in net position, of the Kings Local School District.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (E) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.
- (F) Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, School District's can transfer certain, unobligated, amounts to the subsequent fiscal year or a similar program. During fiscal year 2018, the Kings Local School District, with the Ohio Department of Education's consent, transferred \$8,170 from Title IV-A Student Support and Academic Enrichment (CFDA#84.424A) to Title I-A Grants to Local Educational Agencies (CFDA#84.010).

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kings Local School District, Warren County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Kings Local School District's basic financial statements and have issued our report thereon dated November 27, 2018, wherein we noted as discussed in Note 3, the Kings Local School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We also noted as discussed in Note 3, the Kings Local School District reclassified certain Enterprise Funds, as they no longer met the criteria mandating them to be Enterprise Funds.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Kings Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Kings Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Kings Local School District's financial statements. 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 attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Kings Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Kings Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Kings Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 27, 2018



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Kings Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Kings Local School District's major federal program for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Kings Local School District's major federal program.

Management's Responsibility

The Kings Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Kings Local School District's compliance for the Kings Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Kings Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Kings Local School District's major program. However, our audit does not provide a legal determination of the Kings Local School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Kings Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

The Kings Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Kings Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Kings Local School 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 27, 2018

**KINGS LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Child Nutrition Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

KINGS LOCAL SCHOOL DISTRICT

FULTON 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
JANUARY 8, 2019**