

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

LICKING COUNTY, OHIO

SINGLE AUDIT

June 30, 2000



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Education  
Licking Valley Local School District  
Zanesville, Ohio

We have reviewed the Independent Auditor's Report of the Licking Valley Local School District, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 1999 to June 30, 2000. 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 Licking Valley Local School District is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

December 29, 2000

**Licking Valley Local School District  
Licking County, Ohio**

June 30, 2000

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Board of Education  
Licking Valley Local School District  
1379 Licking Valley Road  
Newark, Ohio 43055

### **Independent Auditor's Report**

We have audited the accompanying general-purpose financial statements of Licking Valley Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street  
Newark, Ohio 43055  
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Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

*Wilson, Shuman & Sons, Inc.*

Newark, Ohio  
December 7, 2000

**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2000**

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>									
<b>Assets:</b>									
Equity in Pooled Cash and Cash Equivalents	\$2,067,479	\$121,331	\$521,752	\$8,658,955	\$37,057	\$30,255	\$-	\$-	\$11,489,895
Receivables:									
Taxes	4,111,364	-	1,654,789	-	-	-	-	-	5,766,153
Accounts	26,994	1,359	-	-	228	503	-	-	29,084
Intergovernmental	-	4,526	-	-	-	-	-	-	4,526
Income Tax	497,116	-	-	-	-	-	-	-	497,116
Materials and Supplies Inventory	-	-	-	-	6,625	-	-	-	6,625
Prepaid Items	20,721	-	-	-	-	-	-	-	20,721
Restricted Assets:									
Equity in Pooled Cash and Cash Equivalents	280,163	-	-	-	-	-	-	-	227,097
Fixed Assets	-	-	-	-	166,737	-	21,234,274	-	21,401,011
Accumulated Depreciation	-	-	-	-	(135,247)	-	-	-	(135,247)
<b>Other Debits:</b>									
Amount available in Debt Service Fund	-	-	-	-	-	-	-	584,863	584,863
Amount Provided from General Government Resources	-	-	-	-	-	-	-	16,485,967	16,485,967
<b>Total Assets and Other Debits</b>	<u>\$7,003,837</u>	<u>\$127,216</u>	<u>\$2,176,541</u>	<u>\$8,658,955</u>	<u>\$75,400</u>	<u>\$30,758</u>	<u>\$21,234,274</u>	<u>\$17,070,830</u>	<u>\$56,377,811</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>									
<b>Liabilities:</b>									
Accounts Payable	135,849	2,446	-	\$613,835	-	-	-	-	\$752,130
Accrued Wages and Benefits	852,602	14,172	-	-	15,285	-	-	-	882,059
Compensated Absences Payable	20,654	-	-	-	14,919	-	635,542	-	671,115
Intergovernmental Payable	162,486	-	-	-	40,011	-	82,505	-	285,002
Deferred Revenue	3,954,475	-	1,591,678	-	2,504	-	-	-	5,548,657
Due to Students	-	-	-	-	-	28,821	-	-	28,821
Capital Leases Payable	-	-	-	-	-	-	-	42,783	42,783
Energy Conservation Loan Payable	-	-	-	-	-	-	-	150,000	150,000
General Obligation Bonds Payable	-	-	-	-	-	-	-	16,160,000	16,160,000
<b>Total Liabilities</b>	<u>5,126,066</u>	<u>16,618</u>	<u>1,591,678</u>	<u>613,835</u>	<u>72,719</u>	<u>28,821</u>	<u>-</u>	<u>17,070,830</u>	<u>24,520,567</u>
<b>Fund Equity and Other Credits:</b>									
Investment in General Fixed Assets	-	-	-	-	-	-	\$21,234,274	-	\$21,234,274
Retained Earnings:									
Unreserved	-	-	-	-	2,681	-	-	-	2,681
Fund Balances:									
Reserved for Encumbrances	399,787	14,265	-	3,202,467	-	-	-	-	3,616,519
Reserved for Prepaid Items	20,721	-	-	-	-	-	-	-	20,721
Reserved for Debt Service Principal	-	-	-	-	-	-	-	-	-
Reserved for Property Taxes	156,889	-	63,111	-	-	-	-	-	220,000
Reserved for Textbooks & Instructional Materials	52,632	-	-	-	-	-	-	-	52,632
Reserved for Budget Stabilization	227,531	-	-	-	-	-	-	-	174,465
Unreserved, Undesignated	1,020,211	96,333	521,752	4,842,653	-	1,937	-	-	6,535,952
<b>Total Fund Equity and Other Credits</b>	<u>1,877,771</u>	<u>110,598</u>	<u>584,863</u>	<u>8,045,120</u>	<u>2,681</u>	<u>1,937</u>	<u>21,234,274</u>	<u>-</u>	<u>31,857,244</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$7,003,837</u>	<u>\$127,216</u>	<u>\$2,176,541</u>	<u>\$8,658,955</u>	<u>\$75,400</u>	<u>\$30,758</u>	<u>\$21,234,274</u>	<u>\$17,070,830</u>	<u>\$56,377,811</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2000**

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
<b>Revenues:</b>						
Intergovernmental	\$6,843,562	\$486,292	\$-	\$150,763	\$-	\$7,480,617
Interest	111,892	-	-	709,137	-	821,029
Tuition and Fees	47,738	-	-	-	-	47,738
Rent	10,300	-	-	-	-	10,300
Extracurricular Activities	-	265,982	-	-	-	265,982
Gifts and Donations	406,967	10,859	-	-	-	417,826
Customer Services	-	54,683	-	-	6,067	60,750
Income Tax	1,603,556	-	-	-	-	1,603,556
Property & Other Local Taxes	2,836,462	-	120,902	-	-	2,957,364
Miscellaneous	10,469	-	-	-	-	10,469
<b>Total Revenues</b>	<b>11,870,946</b>	<b>817,816</b>	<b>120,902</b>	<b>859,900</b>	<b>6,067</b>	<b>13,675,631</b>
<b>Expenditures:</b>						
Instruction:						
Regular	4,771,128	172,628	-	16,325	-	4,960,081
Special	678,017	184,551	-	-	-	862,568
Vocational	219,812	-	-	-	-	219,812
Support services:						
Pupils	350,850	7,321	-	-	-	358,171
Instructional Staff	521,482	70,874	-	-	-	592,356
Board of Education	316,202	-	-	-	-	316,202
Administration	1,054,618	136,281	-	-	-	1,190,899
Fiscal	287,937	8,484	-	-	-	296,421
Business	65,319	-	-	-	-	65,319
Operation and Maintenance of Plant	1,258,182	-	-	76,500	-	1,334,682
Pupil Transportation	923,015	-	-	-	-	923,015
Central	-	2,250	-	-	-	2,250
Non-Instructional Services	-	-	-	-	6,126	6,126
Extracurricular activities	119,688	194,259	-	-	-	313,947
Capital Outlay	100,472	-	-	10,199,216	-	10,299,688
Debt Service						
Principal	16,034	-	270,000	-	-	286,034
Interest	4,126	-	728,713	-	-	732,839
<b>Total Expenditures</b>	<b>10,686,882</b>	<b>776,648</b>	<b>998,713</b>	<b>10,292,041</b>	<b>6,126</b>	<b>22,760,410</b>
Excess of Revenues Over (Under) Expenditures	1,184,064	41,168	(877,811)	(9,432,141)	(59)	(9,084,779)
<b>Other Financing Sources and Uses</b>						
Operating Transfers In	-	-	-	880,000	-	880,000
Refund of Prior Year Expenditures	1,820	-	-	-	-	1,820
Other Financing Sources	8,649	-	-	3,500	-	12,149
Operating Transfers Out	(880,000)	-	-	-	-	(880,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(869,531)</b>	<b>-</b>	<b>-</b>	<b>883,500</b>	<b>-</b>	<b>13,969</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	314,533	41,168	(877,811)	(8,548,641)	(59)	(9,070,810)
Fund Balance at Beginning of Year	1,563,238	69,430	1,462,674	16,593,761	1,996	19,691,099
<b>Fund Balance at End of Year</b>	<b>\$1,877,771</b>	<b>\$110,598</b>	<b>\$584,863</b>	<b>\$8,045,120</b>	<b>\$1,937</b>	<b>\$10,620,289</b>

The notes to the general-purpose financial statements are an integral part of this statement.

**Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2000**

	Governmental Fund Types								
	General			Special Revenue			Debt Service		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>									
Intergovernmental	\$6,872,470	\$6,869,212	(\$3,258)	\$486,426	\$486,426	\$-	\$-	\$-	\$-
Interest	114,784	111,892	(2,892)	-	-	-	-	-	-
Tuition and Fees	44,798	43,736	(1,062)	-	-	-	-	-	-
Rent	10,302	10,300	(2)	-	-	-	-	-	-
Extracurricular Activities	-	-	-	267,407	267,215	(192)	-	-	-
Gifts and Donations	407,017	406,967	(50)	10,869	10,859	(10)	-	-	-
Customer Services	-	-	-	54,704	54,683	(21)	-	-	-
Income Tax	1,623,727	1,621,464	(2,263)	-	-	-	-	-	-
Property & Other Local Taxes	2,849,401	2,848,200	(1,201)	-	-	-	1,098,376	1,098,376	-
Miscellaneous	10,276	10,264	(12)	-	-	-	-	-	-
<b>Total Revenues</b>	<b>11,932,775</b>	<b>11,922,035</b>	<b>(10,740)</b>	<b>819,406</b>	<b>819,183</b>	<b>(223)</b>	<b>1,098,376</b>	<b>1,098,376</b>	<b>-</b>
<b>Expenditures:</b>									
Current:									
Instruction:									
Regular	4,841,691	4,771,691	70,000	173,723	173,723	-	-	-	-
Special	719,910	669,910	50,000	187,076	187,076	-	-	-	-
Vocational	236,836	234,834	2,002	-	-	-	-	-	-
Support services:									
Pupils	359,927	358,733	1,194	7,449	7,449	-	-	-	-
Instructional Staff	528,420	526,720	1,700	72,859	72,859	-	-	-	-
Board of Education	334,720	320,720	14,000	-	-	-	-	-	-
Administration	1,135,018	1,129,418	5,600	136,748	137,438	(690)	-	-	-
Fiscal	333,963	313,478	20,485	10,954	8,484	2,470	-	-	-
Business	14,280	13,887	393	-	-	-	-	-	-
Operation and Maintenance of Plant	1,357,093	1,337,093	20,000	-	-	-	-	-	-
Pupil Transportation	1,166,745	1,108,340	58,405	-	-	-	-	-	-
Non-Instructional Services	-	-	-	2,250	2,250	-	-	-	-
Extracurricular activities	128,325	121,996	6,329	199,413	206,588	(7,175)	-	-	-
Capital Outlay	120,532	87,888	32,644	-	-	-	-	-	-
Debt Service									
Debt Service - Principal	-	-	-	-	-	-	270,000	270,000	-
Debt Service - Interest	-	-	-	-	-	-	728,713	728,713	-
<b>Total Expenditures</b>	<b>11,277,460</b>	<b>10,994,708</b>	<b>282,752</b>	<b>790,472</b>	<b>795,867</b>	<b>(5,395)</b>	<b>998,713</b>	<b>998,713</b>	<b>-</b>
Excess of Revenues Over (Under) Expenditures	655,315	927,327	272,012	28,934	23,316	(5,618)	99,663	99,663	-
<b>Other Financing Sources and Uses</b>									
Operating Transfers In	-	-	-	-	-	-	-	-	-
Refund of Prior Year Expenditures	1,945	1,945	-	-	-	-	-	-	-
Other Financing Sources	8,674	8,649	(25)	-	-	-	-	-	-
Operating Transfers Out	(880,000)	(880,000)	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(869,381)</b>	<b>(869,406)</b>	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(214,066)	57,921	271,987	28,934	23,316	(5,618)	99,663	99,663	-
Fund Balances at Beginning of Year	1,375,055	1,375,055	-	56,439	56,439	-	422,089	422,089	-
Prior Year Encumbrances Appropriated	452,508	452,508	-	24,865	24,865	-	-	-	-
<b>Fund Balance at end of Year</b>	<b>\$1,613,497</b>	<b>\$1,885,484</b>	<b>\$271,987</b>	<b>\$110,238</b>	<b>\$104,620</b>	<b>(\$5,618)</b>	<b>\$521,752</b>	<b>\$521,752</b>	<b>-</b>

The notes to the general-purpose financial statements are an integral part of this statement.

(Continued)



**Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Trust Fund Types  
For the Year Ended June 30, 2000  
(Continued)**

	Governmental Fund Types			Fiduciary Fund Types			Totals (Memorandum Only)		
	Capital Projects		Variance:	Expendable Trust		Variance:	Budget	Actual	Variance:
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)			
<b>Revenues:</b>									
Intergovernmental	\$150,763	\$150,763	\$-	\$-	\$-	\$-	\$7,509,659	\$7,506,401	(\$3,258)
Interest	709,162	709,137	(25)	-	-	-	823,946	821,029	(2,917)
Tuition and Fees	-	-	-	-	-	-	44,798	43,736	(1,062)
Rent	-	-	-	-	-	-	10,302	10,300	(2)
Extracurricular Activities	-	-	-	-	-	-	267,407	267,215	(192)
Gifts and Donations	-	-	-	-	-	-	417,886	417,826	(60)
Customer Services	-	-	-	5,574	5,564	(10)	60,278	60,247	(31)
Income Tax	-	-	-	-	-	-	1,623,727	1,621,464	(2,263)
Property & Other Local Taxes	-	-	-	-	-	-	3,947,777	3,946,576	(1,201)
Miscellaneous	-	-	-	-	-	-	10,276	10,264	(12)
<b>Total Revenues</b>	<b>859,925</b>	<b>859,900</b>	<b>(25)</b>	<b>5,574</b>	<b>5,564</b>	<b>(10)</b>	<b>14,716,056</b>	<b>14,705,058</b>	<b>(10,998)</b>
<b>Expenditures:</b>									
Current:									
Instruction:									
Regular	16,325	16,325	-	-	-	-	5,031,739	4,961,739	70,000
Special	-	-	-	-	-	-	906,986	856,986	50,000
Vocational	-	-	-	-	-	-	236,836	234,834	2,002
Support services:									
Pupils	-	-	-	-	-	-	367,376	366,182	1,194
Instructional Staff	-	-	-	-	-	-	601,279	599,579	1,700
Board of Education	-	-	-	-	-	-	334,720	320,720	14,000
Administration	-	-	-	-	-	-	1,271,766	1,266,856	4,910
Fiscal	-	-	-	-	-	-	344,917	321,962	22,955
Business	-	-	-	-	-	-	14,280	13,887	393
Operation and Maintenance of Plant	76,500	76,500	-	-	-	-	1,433,593	1,413,593	20,000
Pupil Transportation	-	-	-	-	-	-	1,166,745	1,108,340	58,405
Non-Instructional Services	-	-	-	6,410	6,126	284	8,660	8,376	284
Extracurricular activities	-	-	-	-	-	-	327,738	328,584	(846)
Capital Outlay	13,422,127	13,415,591	6,536	-	-	-	13,542,659	13,503,479	39,180
Debt Service									
Debt Service - Principal	-	-	-	-	-	-	270,000	270,000	-
Debt Service - Interest	-	-	-	-	-	-	728,713	728,713	-
<b>Total Expenditures</b>	<b>13,514,952</b>	<b>13,508,416</b>	<b>6,536</b>	<b>6,410</b>	<b>6,126</b>	<b>284</b>	<b>26,588,007</b>	<b>26,303,830</b>	<b>284,177</b>
Excess of Revenues Over (Under) Expenditures	(12,655,027)	(12,648,516)	6,511	(836)	(562)	274	(11,871,951)	(11,598,772)	273,179
<b>Other Financing Sources and Uses</b>									
Operating Transfers In	880,000	880,000	-	-	-	-	880,000	880,000	-
Refund of Prior Year Expenditures	-	-	-	-	-	-	1,945	1,945	-
Other Financing Sources	3,500	3,500	-	-	-	-	12,174	12,149	(25)
Operating Transfers Out	-	-	-	-	-	-	(880,000)	(880,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>883,500</b>	<b>883,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,119</b>	<b>14,094</b>	<b>(25)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,771,527)	(11,765,016)	6,511	(836)	(562)	274	(11,857,832)	(11,584,678)	273,154
Fund Balances at Beginning of Year	5,356,882	5,356,882	-	1,796	1,796	-	7,212,261	7,212,261	-
Prior Year Encumbrances Appropriated	11,312,547	11,312,547	-	200	200	-	11,790,120	11,790,120	-
<b>Fund Balance at end of Year</b>	<b>\$4,897,902</b>	<b>\$4,904,413</b>	<b>\$6,511</b>	<b>\$1,160</b>	<b>\$1,434</b>	<b>\$274</b>	<b>\$7,144,549</b>	<b>\$7,417,703</b>	<b>\$273,154</b>

The notes to the general-purpose financial statements are an integral part of this statement.

**Combined Statement of Revenues, Expenses  
and Changes in Fund Equity  
All Proprietary Fund Types  
For the Year Ended June 30, 2000**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$312,020
Total Operating Revenues	312,020
<b>Operating Expenses</b>	
Salaries	175,023
Fringe Benefits	73,672
Purchased Services	1,826
Materials and Supplies	230,673
Depreciation	3,641
Other	83
Total Operating Expenses	484,918
Operating Income (Loss)	(172,898)
<b>Non-Operating Revenues and Expenses</b>	
Federal Donated Commodities	12,103
Interest	938
Federal and State Subsidies	103,234
Total Non-Operating Revenues and Expenses	116,275
Net Income (Loss)	(56,623)
Retained Earnings at Beginning of Year	59,304
Retained Earnings at End of Year	\$2,681

The notes to the general-purpose financial statements are an integral part of this statement.

**Combined Statement of Cash Flows  
All Proprietary Fund Types  
For the Year Ended June 30, 2000**

**Proprietary  
Fund Types**

---

**Enterprise**

---

**Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities:

Cash Received from Sales	\$299,528
Other Cash Receipts	12,348
Cash Payments to Suppliers for Goods and Service	(218,715)
Cash Payments for Contract Services	(1,826)
Cash Payments for Employee Services	(180,215)
Cash Payments for Employee Benefits	(53,698)
Other Cash Payments	(83)
Net Cash Provided (Used) by Operating Activities	<u>(142,661)</u>

Cash Flows from Noncapital Financing Activities:

Operating Grants Received	<u>115,709</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>115,709</u>

Cash Flows from Investing Activities:

Interest Received	<u>938</u>
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Net Increase (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents at Beginning of Year	<u>63,071</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u><u>\$37,057</u></u></b>

Reconciliation of Operating Income (Loss) to Net

Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	(\$172,898)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:	
Depreciation	3,641
Donated Commodities Used During the Year	12,103
Adjustments to Capital Outlay	(890)
(Increase) Decrease in Assets:	
Accounts Receivable	(144)
Material and Supplies Inventory	4,997
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(1,790)
Intergovernmental Payable	18,266
Deferred Revenue	(4,252)
Accrued Wages and Benefits	(1,694)
Total Adjustments	<u>30,237</u>

**Net Cash Provided (Used) by Operating Activities**

**(142,661)**

The notes to the general-purpose financial statements are an integral part of this statement.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Licking Valley 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 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 138 square miles. It is located in Licking County, and includes the Village of Hanover and portions of Mary Ann, Perry, Harrison and Hanover Townships. The School District is the 272nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 87 non-certificated employees and 131 certificated full-time teaching personnel who provide services to 2,064 students and other community members. The School District currently operates 6 instructional buildings.

*Reporting Entity:*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Licking Valley Local School District, this includes general operations, food service, 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. The School District does not have any component units.

The School District is associated with four organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Licking County Vocational School, the Central Ohio Special Education Regional Resource Center, the Metropolitan Education Council, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Licking Valley 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 standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

*General Fund* - The General Fund is the operating fund of the School District and is used to account for 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.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects Funds* - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

*Appropriations:*

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2000, investments were limited to repurchase agreements. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.



**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**E. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2000, 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 year in which services are consumed.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Career Development
- Teacher Development
- Professional Development Block Grant
- Education Management Information Systems
- Data Communications
- Title 1
- Title VI
- Title VI-B
- Drug Free School Grant
- Textbook/Instructional Materials Subsidy
- Ohio Reads Grant
- Summer Intervention
- Scrap Tire Grant
- FCC E-Rate Fund
- Title VI-R

*Capital Projects Funds*

- School Net Plus
- Technology Equity
- School Net Power Up

*Reimbursable Grants*

*General Fund*

- Driver Education

*Proprietary Funds*

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 55 percent of the School District's operating revenue during the 2000 fiscal year.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

**J. 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. 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.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

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.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 20 years of current service with the School District, or after 15 years of service and at least 45 years of age, or after 5 years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**N. Fund Balance Reserves**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY**

**Accountability**

At June 30, 2000, the Title I and the Food Service funds had deficit fund balances of \$2,723 and \$8,203, respectively, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget - Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess (Deficiency) of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental fund Types

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$57,921	\$23,316	\$99,663	(\$11,765,016)	(\$562)
Adjustment for:					
Revenue Accruals	(51,089)	(1,368)	(977,474)	-	503
Expenditure Accruals	(154,331)	2,508	-	(538,166)	-
Other Sources/Uses	(125)	-	-	-	-
Encumbrances	462,157	16,712	-	3,754,541	-
GAAP Basis	<u>\$314,533</u>	<u>\$41,168</u>	<u>(\$877,811)</u>	<u>(\$8,548,641)</u>	<u>(\$59)</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawal 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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;

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

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

Investments in stripped principal or interest obligations, reverse purchase 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.

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was (\$236,303) and the bank balance was \$115,037. Of the bank balance, \$100,000 was covered by federal depository insurance.

*Investments:* The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

	Category 3	Carrying Value	Market Value
Repurchase Agreement	\$6,685,262	\$6,685,262	\$6,685,262
STAR Ohio	-	5,268,033	5,268,033
Totals	<u>\$6,685,262</u>	<u>\$11,953,295</u>	<u>\$11,953,295</u>

The following information classifies deposits and investments by categories of risk as defined in *GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements"*.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	<u>\$11,716,992</u>	<u>\$-</u>
Investment:		
STAR Ohio	(6,685,262)	6,685,262
Repurchase Agreement	(5,268,033)	5,268,033
<i>GASB Statement No. 3</i>	<u>(\$236,303)</u>	<u>\$11,953,295</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Licking 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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$156,889 in the General Fund and \$63,111 in the Bond Retirement Debt Service Fund.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$97,227,760	80%	\$112,431,500	82%
Public Utility	16,938,610	14%	17,079,340	12%
Tangible Personal Property	7,562,560	6%	7,765,970	6%
Total Assessed Value	<u>\$121,728,930</u>	<u>100%</u>	<u>\$137,276,810</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$41.70		\$40.90	

**NOTE 7 - INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1994, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2000, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
General Fund	
Taxes Receivable	\$4,111,364
Accounts Receivable	26,994
Income Tax	497,116
Special Revenue Funds	
Accounts Receivable	1,359
Intergovernmental	4,526
Debt Service Funds	
Taxes Receivable	1,654,789
Enterprise Fund	
Accounts Receivable	228
Trust and Agency Funds	
Accounts Receivable	503
Total Receivables	<u>\$6,296,879</u>



**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$166,737
Less: Accumulated Depreciation	(135,247)
Net Fixed Assets	\$31,490

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$430,950	\$12,000	\$-	\$442,950
Buildings	4,990,750	3,785	-	4,994,535
Furniture and Equipment	2,344,554	53,401	64,935	2,333,020
Vehicles	1,444,402	128,886	-	1,573,288
Construction In Progress	2,496,646	9,393,835	-	11,890,481
Totals	\$11,707,302	\$9,591,907	\$64,935	\$21,234,274

**NOTE 10 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	\$1,000	\$15,770,826
Inland Marine Coverage		
Computer Hardware	250	124,613
Computer Software	250	28,634
Musical Instruments	100	100,910
Automobile Liability	100	1,000,000
Uninsured Motorists	100	1,000,000
General Liability		
Per occurrence	0	2,000,000
Per year	0	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$277,496, \$260,226, and \$234,380, respectively; 53 percent has been contributed for 2000 and 100 percent for fiscal years 1999 and 1998. \$131,502 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The Licking Valley Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2000, were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$773,641, \$712,118, and \$677,370, respectively; 84 percent has been contributed for fiscal years 2000 and 100 percent for 1999 and 1998. \$125,248 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000 will be 8 percent of covered payroll.

For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .450, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 265 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 46 days for all employees.

Bargaining unit members, who retire under STRS criteria, may receive a retirement incentive payment of ten thousand dollars (\$10,000). In order to qualify for this benefit, the bargaining unit member must give written notice to the Superintendent on or before March 15 of the year of retirement.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through National Term Life.

**NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized lease for a copier and a Kodak finisher. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of a copier have been capitalized in the general fixed assets account group in the amount of \$30,578. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

General fixed assets consisting of a Kodak finisher have been capitalized in the general fixed assets account group in the amount of \$68,600. This amount represents the present value of the minimum lease payments plus the value of a copier traded in at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$10,106 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	Kodak Finisher	Copier
2001	\$12,720	\$7,440
2002	12,720	7,440
2003	4,241	2,481
Less: Amount Representing Interest	(2,687)	(1,572)
Present Value of Net Minimum Lease Payments	\$26,994	\$15,789

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Balance at 07/01/99	Additions	Deductions	Balance at 06/30/00
Building Construction Bonds	\$16,360,000	\$-	\$200,000	\$16,160,000
Energy Conservation Notes	220,000	-	70,000	150,000
Capital Leases	52,889	-	10,106	42,783
Pension Obligation	85,532	-	3,027	82,505
Compensated Absences	572,572	62,970	-	635,542
Total long term Obligations	<u>\$17,290,993</u>	<u>\$62,970</u>	<u>\$283,133</u>	<u>\$17,070,830</u>

The Building Construction Bonds are dated 4/1/99 and issued in the amount of \$16,360,000 with stated interest rate of 3% to 5% and a final maturity date of 12/01/25. The beginning balance of the general obligation bonds has been adjusted to capture the value of capital appreciation bonds included in the original issue that mature in 2005 and 2006.

*Energy Conservation Loan* - On January 1, 1992, the Licking Valley Local School District issued \$600,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2002, bearing a current interest rate of 5.90 percent. The loan will be retired from the debt service fund.

Capital leases will be paid from the General Fund. Compensated absences, pension obligation, and employee bonuses will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$3,245,074 with an unvoted debt margin of \$137,277 at June 30, 2000.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$450,000	\$366,099	\$816,099
2002	465,000	355,674	820,674
2003	400,000	344,326	744,326
2004	415,000	336,926	751,926
2005	430,000	329,041	759,041
thereafter	14,150,000	4,376,017	18,526,017
Total	<u>\$16,310,000</u>	<u>\$6,108,083</u>	<u>\$22,418,083</u>

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Licking Valley Local School District as of and for the fiscal year ended June 30, 2000.

	Food Service	Uniform School Supplies	Special Enterprise	Total Enterprise Funds
Operating Revenues	\$285,334	\$14,338	\$12,348	\$312,020
Depreciation Expense	3,461	-	-	3,461
Operating Income (Loss)	(169,674)	50	(3,274)	(172,898)
Donated Commodities	12,103	-	-	12,103
Interest	938	-	-	938
Grants	103,234	-	-	103,234
Net Income (Loss)	(53,399)	50	(3,274)	(56,623)
Net Working Capital	(39,693)	2,467	8,417	(28,809)
Total Assets	64,516	2,467	8,417	75,400
Total Liabilities	72,719	-	-	72,719
Total Equity	(8,203)	2,467	8,417	2,681

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Licking County Vocational School District* - The Licking County Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 9 participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Licking County Vocational School District, Shirley Dupps, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

*Central Ohio Special Education Regional Resource Center* - The School District participates in the Central Ohio Special Education Regional Resource Center (COSERRC), a jointly governed organization. COSERRC is one of sixteen (16) centers in Ohio, which serves as the organizational structure offering multi-district special educational services. Each SERRC is designed to initiate, expand, and improve the delivery of special education services to children with disabilities ages 3 through 21. The governing board of COSERRC consists of superintendents or a designated representative from each school district. Financial information may be obtained from the Franklin County Education Service Center, Deloris Fate, who serves as Treasurer, at 1717 Alum Creek Drive, Columbus, Ohio, 43207.

*Metropolitan Education Council* - The School District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2000 was **\$799**. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio, 43232.

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**NOTE 18 - INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as 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.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 19- 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

**NOTE 20 - CONTRACTUAL COMMITMENTS**

As of June 30, 2000, the School District had contractual purchase commitments for construction of a new school and renovation of the middle school as follows:

Company	Amount Remaining
J R Holcomb Company	\$76,686
Martin Public Seating	36,538
School Specialty Incorporated	459,176
Zimmerman School Equipment	186,057
Center City Int'l Truck	186,255
Gioffre Construction, Inc.	1,376,006
Howard's Sheet Metal, Inc.	115,134
Hilscher-Clarke Electric Co.	160,232
Houston Plumbing & Heating	405,426
Total	\$3,001,510

**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

**NOTE 21 – STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State’s legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State’s “school foundation program,” which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$6,264,985 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “the mandate of the Ohio Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “major areas warrant further attention, study, and development by the General Assembly,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$-	\$51,943	\$137,500	
Current Year Set-aside Requirement	270,093	270,093	90,031	
Current Year Offsets	-	-	-	
Qualifying Disbursements	(217,461)	(322,036)	-	
Total	<u>\$52,632</u>	<u>-</u>	<u>\$227,531</u>	
Cash Balance Carried Forward to FY 2001	<u>\$52,632</u>	<u>-</u>	<u>\$227,531</u>	
Amount restricted for Textbooks				\$52,632
Amount restricted for Budget Stabilization				227,531
Total Restricted Assets				<u>\$280,163</u>



**Licking Valley Local School District  
Licking County, Ohio**

**Notes to the General Purpose Financial Statements  
June 30, 2000  
(Continued)**

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**Licking Valley Local School District**  
**Licking County, Ohio**

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

For the year ended June 30, 2000

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-cash Receipts	Expenditures	Non-cash Disbursements
<b><u>U.S. Department of Agriculture</u></b>						
Passed through Ohio Department of Education						
National School Lunch Program	03PU-99	10.555	\$ 7,549	\$ -	\$ 7,549	\$ -
	03PU-00		24,438	-	24,438	-
	04PU-99		18,327	-	18,327	-
	04PU-00		59,550	-	59,550	-
Total National School Lunch Program			<u>109,864</u>	<u>-</u>	<u>109,864</u>	<u>-</u>
Food Distribution	-	10.550	<u>-</u>	<u>7,852</u>	<u>-</u>	<u>12,103</u>
Total U.S. Department of Agriculture			<u>109,864</u>	<u>7,852</u>	<u>109,864</u>	<u>12,103</u>
<b><u>U.S. Department of Education</u></b>						
Passed through Ohio Department of Education						
Title I - Financial Assistance to Meet Special Needs of Disadvantaged Children	C1S1-98	84.010	8,003	-	14,237	-
	C151-98	84.010	147,718	-	137,800	-
Title VI-B, Special Education: Assistance to States for Education for Handicapped Children	6BSF-98	84.027	3,726	-	4,118	-
	6BSF-97		104,218	-	93,616	-
Drug Free Schools Grant	DRS1-00	84.186	8,437	-	8,437	-
Goals 2000 - Continuous Improvements	G252-99	84.276	-	-	10,000	-
Federal, State and Local Partnerships for Educational Improvements	C2S1-99	84.298	1,281	-	1,281	-
	C2S1-00		9,665	-	7,917	-
Title IVR	CRS1-00	84.340	<u>28,741</u>	<u>-</u>	<u>18,979</u>	<u>-</u>
Total U.S. Department of Education			<u>311,789</u>	<u>-</u>	<u>296,385</u>	<u>-</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 421,653</u>	<u>\$ 7,852</u>	<u>\$ 406,249</u>	<u>\$ 12,103</u>

**Licking Valley Local School District  
Licking County, Ohio**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

June 30, 2000

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

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

FOOD DISTRIBUTION

Non-monetary assistance is reported in the accompanying schedule of federal awards receipts and expenditures at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



## **Report On Compliance And On Internal Control Required by Government Auditing Standards**

Board of Education  
Licking Valley Local School District  
1379 Licking Valley Road  
Newark, Ohio 43055

We have audited the general-purpose financial statements of Licking Valley Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2000 and have issued our report thereon dated December 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
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FAX (740) 345-5635

This report is intended for the information and use of the management, Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
December 7, 2000



**Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133**

Board of Education  
Licking Valley Local School District  
1379 Licking Valley Road  
Newark, Ohio 43055

**Compliance**

We have audited the compliance of Licking Valley Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as item 2000-1.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

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## Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings as items 2000-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of management, Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
December 7, 2000

**Licking Valley Local School District  
Licking County, Ohio**

June 30, 2000

SHCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	National School Lunch Program 10.555
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes



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

None were noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2000-1
<b>CFDA Title and Number</b>	National School Lunch Program\10.555
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**INTERNAL CONTROLS - REPORTABLE CONDITION**

7 CFR 245.6 establishes income eligibility standards that an applicant must meet to be approved as a participant in the National School Lunch Program. It is the responsibility of designated district personnel to review the applications, to determine if the income is within the limits of established guidelines, and to notify the family regarding the disposition of their application.

District personnel use the document titled “Guide to Processing the Free and Reduced Price Meal Applications,” published by the U.S. Department of Agriculture, when processing applications. This was the first year the new Food Service Supervisor was responsible for handling this process.

We selected 31 applications to reperform the eligibility procedure performed by the district. Two out of the thirty-one applications reviewed were not in compliance with eligibility guidelines. In one case two children from one family was inappropriately permitted to participate in the free lunch program when they should have been classified in the reduced lunch program. In the second case, three children from one family were inappropriately admitted into the reduced lunch program when they should have been placed in the free lunch program.

We tested the application process further by selecting an additional 20 applications for review. Two out of the twenty applications reviewed were not in compliance with eligibility guidelines. In the first case, two children from one family were permitted to participate in the reduced program when they were not eligible. In the second case, one child was permitted to participate in the free lunch program when they were not eligible.

We recommend the district continue to use the “Guide to Processing the Free and Reduced Meal Applications” when reviewing applications to determine eligibility. In addition, we recommend that someone independent of the approval process randomly select a number of applications, to be determined by management, and reperform the eligibility process to ensure applications are being approved in accordance with the federal guidelines.

**Licking Valley Local School District**

Licking County, Ohio

June 30,2000

**CORRECTIVE ACTION PLAN**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2000-1	The Treasurer of the district has reperfomed the eligibility determination for all applications filed for participation in the fiscal year 2001 school lunch program. The Treasurer will continue to complete a 100% reperformance until she is confident the new Food Service Coordinator has been properly trained in this area. Once this confidence level is achieved, the Treasurer or her designee will randomly select applications and reperform the eligibility determination on a regular basis.	This process has been implemented.	Jo Lynn Torbert, Treasurer



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**LICKING 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 16, 2001**