



**Mary Taylor, CPA**  
Auditor of State





# Dave Yost • Auditor of State

February 1, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST  
Auditor of State

**This Page is Intentionally Left Blank.**

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	17
Statement of Fiduciary Net Assets – Agency Fund .....	18
Notes to the Basic Financial Statements .....	19
Federal Awards Receipts and Expenditures Schedule.....	57
Notes to the Federal Awards Receipts and Expenditures Schedule .....	58
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	59
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133 .....	61
Schedule of Findings.....	63

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Licking Heights Local School District  
Licking County  
6539 Summit Road S.W.  
Pataskala, Ohio 43062

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22, the District restated July 1, 2009 Net Assets due to receivables being overstated by \$14,759,331 as a result of an error in accounting for Revenue in Lieu of Taxes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

December 30, 2010



# LICKING HEIGHTS LOCAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 (UNAUDITED)

This discussion and analysis of the Licking Heights Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- Net assets increased \$122,402 from the prior fiscal year. This amount represents the difference between the decrease in total assets (\$1,548,316) and the decrease in total liabilities (\$1,670,718).
- General revenues totaled approximately \$30.4 million, and program specific revenues in the form of Charges for Services and Sales, Operating Grants and Contributions totaled approximately \$3.5 million.
- The School District had approximately \$34 million in expenses. As stated above, only \$3.5 million of these expenses were offset by program revenues. The net expenses of the School District's programs are funded by general revenues, consisting primarily of property taxes and unrestricted grants and entitlements.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole – an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

# LICKING HEIGHTS LOCAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 (UNAUDITED)

### **Reporting the School District as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District only reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

### **Reporting the School District's Most Significant Funds**

#### *Fund Financial Statements*

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Debt Service Fund.

#### *Governmental Funds*

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

# LICKING HEIGHTS LOCAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 (UNAUDITED)

### *Fiduciary Funds*

The School District's fiduciary fund is an agency fund used to account for student-managed activities. The School District's fiduciary fund is reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in this fund are used for its intended purpose. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

### *Notes to the basic financial statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 19 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets exceed liabilities by approximately \$10.3 million at the close of the current fiscal year.

The largest portion of the School District's net assets (53%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

An analysis of fiscal year 2010 in comparison with fiscal year 2009 follows for the Statement of Net Assets:

	2010	Restated 2009	Change
Current Assets	\$ 28,391,527	\$ 28,217,566	0.62%
Capital Assets	58,602,098	60,324,375	-2.86%
<b>Total Assets</b>	<b>86,993,625</b>	<b>88,541,941</b>	<b>-1.75%</b>
Current Liabilities	16,832,699	16,491,893	2.07%
Long-term Liabilities	59,840,393	61,851,917	-3.25%
<b>Total Liabilities</b>	<b>76,673,092</b>	<b>78,343,810</b>	<b>-2.13%</b>
Invested in Capital Assets net of related debt	5,466,825	4,919,530	11.12%
Restricted	2,451,730	1,882,909	30.21%
Unrestricted	2,401,978	3,395,692	-29.26%
<b>Total Net Assets</b>	<b>\$ 10,320,533</b>	<b>\$ 10,198,131</b>	<b>1.20%</b>

Total assets decreased by approximately \$1.6 million. This decrease is primarily the result of a \$1.7 million decrease in capital assets, which represents the amount in which current year depreciation exceeded current year capital outlays.

Total liabilities decreased by \$1.7 million. This decrease is primarily the result of a \$1.8 million net decrease in general obligation bonds payable. The general obligation bonds payable decrease represents the amount in which current year debt service requirements were offset by current year accretion on capital appreciation bonds and current year amortization of bond premiums and deferred amounts on refundings.

Restricted Net Assets increased significantly as a result of the new permanent improvement property tax levy, collections of which are restricted for purposes specified in the legislation.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

An analysis of fiscal year 2010 in comparison with fiscal year 2009 follows for the Statement of Activities:

	Governmental Activities		
	2010	Restated 2009	Percent Change
<b>Program Revenues</b>			
Charges for Services	\$ 1,289,722	\$ 1,232,146	4.67%
Operating Grants	2,226,211	1,763,761	26.22%
<b>General Revenues</b>			
Property Taxes	17,897,076	17,395,208	2.89%
Revenue in Lieu of Taxes	1,946,301	1,819,840	6.95%
Grants and Entitlements not Restricted to Specific Programs	10,620,534	10,430,939	1.82%
Investment Earnings	27,333	196,041	-86.06%
Miscellaneous	104,214	127,963	-18.56%
<b>Total Revenues</b>	<b>34,111,391</b>	<b>32,965,898</b>	<b>3.47%</b>
<b>Program Expenses</b>			
Instructional	16,455,627	15,376,402	7.02%
Support Services	11,214,084	10,432,584	7.49%
Non-Instructional	1,319,154	1,154,046	14.31%
Extra Curricular Activities	607,507	526,780	15.32%
Interest and Fiscal Charges	2,969,618	2,914,573	1.89%
Unallocated Depreciation	1,422,999	1,400,414	1.61%
<b>Total Expenses</b>	<b>33,988,989</b>	<b>31,804,799</b>	<b>6.87%</b>
<b>Change in Net Assets</b>	<b>122,402</b>	<b>1,161,099</b>	
<b>Net Assets at Beginning of Year, Restated</b>	<b>10,198,131</b>	<b>9,037,032</b>	
<b>Net Assets at End of Year</b>	<b>\$ 10,320,533</b>	<b>\$10,198,131</b>	

**Governmental Activities**

The significant increase in Operating Grants is the result of increase federal funding from stimulus grants. The significant decrease in Investment earnings is the result a decrease in funds available to be invested coupled with deteriorating economic conditions.

Expenses increased slightly in comparison with the prior fiscal year. For the most part, this increase represents salary and salary-related benefit increases.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the costs of program services and the net cost of those services after taking into account program revenues. General revenues including tax revenue, unrestricted State entitlements and investment earnings must support the net cost of program services.

An analysis of fiscal year 2010 in comparison with fiscal year 2009 follows:

	<u>Total Cost of Services 2010</u>	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2010</u>	<u>Net Cost of Services 2009</u>
Program expenses				
Instructional	\$ 16,455,627	\$ 15,376,402	\$ 15,194,996	\$ 14,164,121
Support services	11,214,084	10,432,584	10,474,967	10,005,247
Non-Instructional	1,319,154	1,154,046	59,690	50,917
Extra Curricular Activities	607,507	526,780	350,786	273,620
Interest	2,969,618	2,914,573	2,969,618	2,914,573
Miscellaneous	1,422,999	1,400,414	1,422,999	1,400,414
Total	<u>\$ 33,988,989</u>	<u>\$ 31,804,799</u>	<u>\$ 30,473,056</u>	<u>\$ 28,808,892</u>

**Financial Analysis of the School District's Funds**

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of approximately \$9.1 million, a decrease of \$257,755 in comparison with the prior fiscal year. Of this amount, approximately \$3.3 million is available for spending at the School District's discretion (unreserved fund balance). The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

An analysis of fiscal year 2010 in comparison with fiscal year 2009 follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Variance</u>
General Fund	\$ 3,585,821	\$ 3,222,091	\$ 363,730
Debt Service Fund	2,978,493	3,648,300	(669,807)
Other Governmental Funds	2,560,712	2,512,390	48,322
Total Governmental Funds	<u>\$ 9,125,026</u>	<u>\$ 9,382,781</u>	<u>\$ (257,755)</u>

*General Fund*

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was negative \$723,375, while total fund balance was approximately \$3.6 million. As a measure of the general funds liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 14% of total expenditures.

The fund balance of the School District's general fund increased by \$363,730 during the current fiscal year. The significant increase in Revenue in Lieu of Taxes is the result of compensation agreements with the City of Reynoldsburg and the Village of New Albany. For the most part, the increase in expenses is the result of salary and salary-related benefit increases.

*Bond Retirement Fund*

The fund balance of the debt service fund decreased \$669,807 during the fiscal year. This decrease represents the amount in which current year debt service expenditures exceeded property tax and property tax related revenues.

**General Fund Budget Information**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2010, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 17, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the original budget basis revenue estimate was \$24,558,248, with a final budget basis revenue estimate of \$25,080,661. The difference of \$522,413 was the result of a one-time adjustment for fiscal year 2009 foundation payments and moving off of the transitional aid guarantee, which were a result of an increase in student enrollment.

## **LICKING HEIGHTS LOCAL SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010 (UNAUDITED)**

Original budget basis appropriations were \$25,905,314, with final budget basis appropriations of \$25,562,786. This decrease of \$342,528 was due primarily to the 10 percent building/department reductions that were made in April of 2010.

#### **Capital Assets**

At the end of the fiscal year, the School District had \$58,602,098 (net of accumulated depreciation) invested in capital assets compared to \$60,324,375 million in the prior year. The decrease in capital assets is due to additions of \$185,176 being offset by \$1,907,453 in depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

#### **Debt**

At the end of the fiscal year, the School District had total bonded debt outstanding of \$58,944,730, a decrease of \$1,838,859 from fiscal year 2009. The School District had no debt issuances during the fiscal year. The decrease is a result of principal payments of \$2,215,000 being offset by \$376,141 net increase from the accretion and amortization of debt outstanding.

Detailed information regarding long-term obligations is included in Notes 14 to the basic financial statements. Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2010, the School District's general obligation debt was below the legal limit.

#### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer Vanover, Treasurer, at Licking Heights Local School District, 6539 Summit Road SW, Pataskala, Ohio 43062.



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 6,558,452
Receivables:	
Property Taxes	18,537,781
Revenue in Lieu of Taxes	2,414,942
Intergovernmental	103,900
Accounts	24,264
Materials and Supplies Inventory	26,326
Deferred Bond Issuance Costs	725,862
Nondepreciable Capital Assets	1,821,947
Depreciable Capital Assets, Net	<u>56,780,151</u>
Total Assets	<u>86,993,625</u>
<b>Liabilities</b>	
Accounts Payable	66,819
Accrued Wages and Benefits Payable	2,498,540
Intergovernmental Payable	799,512
Accrued Interest Payable	208,978
Unearned Revenue	13,258,850
Long-Term Liabilities	
Due within One Year	979,356
Due in More Than One Year	<u>58,861,037</u>
Total Liabilities	<u>76,673,092</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	5,466,825
Restricted for:	
Capital Projects	2,413,653
Other Purposes	38,077
Unrestricted	<u>2,401,978</u>
Total Net Assets	<u><u>\$ 10,320,533</u></u>

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 12,530,172	\$ 299,836	\$ 274,094	\$ (11,956,242)
Special	3,293,103	85,823	466,646	(2,740,634)
Vocational	296,633	7,722	44,712	(244,199)
Student Intervention Services	335,719	32,949	48,849	(253,921)
Support Services				
Pupils	1,237,581	-	174,222	(1,063,359)
Instructional Staff	1,299,801	-	47,116	(1,252,685)
Board of Education	72,287	-	-	(72,287)
Administration	2,033,939	-	211,266	(1,822,673)
Fiscal	668,606	-	-	(668,606)
Operation and Maintenance of Plant	3,206,703	-	159,378	(3,047,325)
Pupil Transportation	2,432,584	-	41,229	(2,391,355)
Central	262,583	-	105,906	(156,677)
Non-Instructional Services	1,319,154	613,114	646,350	(59,690)
Extra Curricular Activities	607,507	250,278	6,443	(350,786)
Unallocated Depreciation	1,422,999	-	-	(1,422,999)
Interest and Fiscal Charges	2,969,618	-	-	(2,969,618)
Total Governmental Activities	\$ 33,988,989	\$ 1,289,722	\$ 2,226,211	(30,473,056)
General Revenues				
Property Taxes Levied for:				
General Purposes				13,601,236
Debt Service				3,445,227
Permanent Improvement				850,613
Payment in Lieu of Taxes				1,946,301
Grants & Entitlements not Restricted to Specific Programs				10,620,534
Investment Earnings				27,333
Miscellaneous				104,214
Total General Revenues				30,595,458
Change in Net Assets				122,402
Net Assets Beginning of Year, Restated				10,198,131
Net Assets End of Year				\$ 10,320,533

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2010**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 2,085,298	\$ 1,891,599	\$ 2,581,555	\$ 6,558,452
Receivables:				
Property Taxes	13,776,670	3,653,395	1,107,716	18,537,781
Revenue in Lieu of Taxes	2,414,942	-	-	2,414,942
Intergovernmental	-	-	103,900	103,900
Accounts	16,087	-	8,177	24,264
Interfund	69,395	-	-	69,395
Materials and Supplies Inventory	-	-	26,326	26,326
<b>Total Assets</b>	<b><u>\$ 18,362,392</u></b>	<b><u>\$ 5,544,994</u></b>	<b><u>\$ 3,827,674</u></b>	<b><u>\$ 27,735,060</u></b>
<b>Liabilities:</b>				
Accounts Payable	\$ 23,239	\$ -	\$ 43,580	\$ 66,819
Accrued Wages and Benefits Payable	2,330,371	-	168,169	2,498,540
Intergovernmental Payable	729,565	-	69,947	799,512
Interfund Payable	-	-	69,395	69,395
Matured Compensated Absences	41,898	-	14,598	56,496
Deferred Revenue	11,651,498	2,566,501	901,273	15,119,272
<b>Total Liabilities</b>	<b><u>14,776,571</u></b>	<b><u>2,566,501</u></b>	<b><u>1,266,962</u></b>	<b><u>18,610,034</u></b>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	32,801	-	28,853	61,654
Property Taxes	4,276,395	1,086,894	332,715	5,696,004
Materials and Supplies Inventory	-	-	26,326	26,326
Unreserved/Undesignated, Reported in:				
General Fund	(723,375)	-	-	(723,375)
Special Revenue Funds	-	-	(140,479)	(140,479)
Debt Service Fund	-	1,891,599	-	1,891,599
Capital Project Funds	-	-	2,313,297	2,313,297
<b>Total Fund Balances</b>	<b><u>3,585,821</u></b>	<b><u>2,978,493</u></b>	<b><u>2,560,712</u></b>	<b><u>9,125,026</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 18,362,392</u></b>	<b><u>\$ 5,544,994</u></b>	<b><u>\$ 3,827,674</u></b>	<b><u>\$ 27,735,060</u></b>

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

**Total Governmental Fund Balances** \$ 9,125,026

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 58,602,098

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Delinquent Property Tax Receivables	700,126
Revenue in Lieu of Taxes	1,050,093
Intergovernmental Receivables	103,900
Accounts Receivables	6,303

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and Notes Payable	(56,448,712)
Unamortized Issuance Premiums	(3,845,472)
Unamortized Losses on Refundings	1,654,038
Unamortized Gain on Refunding	(304,584)
Unamortized Bond Issuance Costs	725,862
Accrued Interest Payable	(208,978)
Capital Leases Payable	(13,960)
Compensated Absence Payable	(825,207)
	<u>(59,267,013)</u>

**Net Assets of Governmental Activities** \$ 10,320,533

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 13,833,622	\$ 3,551,720	\$ 810,397	\$ 18,195,739
Revenue in Lieu of Taxes	1,680,765	-	-	1,680,765
Intergovernmental	10,004,155	606,215	2,099,431	12,709,801
Investment Earnings	26,898	-	435	27,333
Tuition and Fees	427,164	-	-	427,164
Rent	24,087	-	-	24,087
Extracurricular Activities	-	-	229,490	229,490
Contributions and Donations	10,157	-	35,096	45,253
Customer Sales and Services	-	-	613,114	613,114
Miscellaneous	33,105	-	21,528	54,633
<b>Total Revenues</b>	<b>26,039,953</b>	<b>4,157,935</b>	<b>3,809,491</b>	<b>34,007,379</b>
<b>Expenditures:</b>				
Instruction:				
Regular	11,995,768	-	492,480	12,488,248
Special	2,818,838	-	478,102	3,296,940
Vocational	297,015	-	-	297,015
Student Intervention Services	301,406	-	48,574	349,980
Support services:				
Pupils	1,084,609	-	178,087	1,262,696
Instructional Staff	1,213,816	-	86,513	1,300,329
Board of Education	72,287	-	-	72,287
Administration	1,891,608	-	214,678	2,106,286
Fiscal	606,758	57,845	7,827	672,430
Operation and Maintenance of Plant	2,821,556	-	256,415	3,077,971
Pupil Transportation	2,119,170	-	235,861	2,355,031
Central	110,126	-	105,906	216,032
Non-Instructional Services	-	-	1,305,206	1,305,206
Extracurricular Activities	364,469	-	232,244	596,713
Capital Outlay	-	-	119,276	119,276
Debt service:				
Principal Retirement	9,815	2,215,000	-	2,224,815
Interest and Fiscal Charges	1,693	2,554,897	-	2,556,590
<b>Total Expenditures</b>	<b>25,708,934</b>	<b>4,827,742</b>	<b>3,761,169</b>	<b>34,297,845</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	331,019	(669,807)	48,322	(290,466)
<b>Other financing sources (uses):</b>				
Sale of Capital Assets	17,301	-	-	17,301
Proceeds from Insurance Recoveries	15,410	-	-	15,410
<b>Total other financing sources (uses)</b>	<b>32,711</b>	<b>-</b>	<b>-</b>	<b>32,711</b>
<b>Net Change in Fund Balances</b>	<b>363,730</b>	<b>(669,807)</b>	<b>48,322</b>	<b>(257,755)</b>
Fund Balances - Beginning of Year	3,222,091	3,648,300	2,512,390	9,382,781
Fund Balances - End of Year	<u>\$ 3,585,821</u>	<u>\$ 2,978,493</u>	<u>\$ 2,560,712</u>	<u>\$ 9,125,026</u>

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**Net Change in Fund Balances - Total Governmental Funds** \$ (257,755)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation Expense	(1,907,453)
Capital Outlay	185,176

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	71,301
--	--------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond and Note Principal Repayments	2,215,000
Capital Lease Principal Repayments	9,815
Amortization of Bond Issuance Costs	(40,817)
Amortization of Bond Issuance Premiums	211,558
Amortization of Losses on Refundings	(95,558)
Amortization of Gain on Refunding	16,690

Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated Absences	219,346
Accrued Interest	3,930
Accretion of Capital Appreciation Bonds	(508,831)

**Change in Net Assets of Governmental Activities** \$ 122,402

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 13,499,170	\$ 13,100,155	\$ 13,100,155	\$ -
Revenue in Lieu of Taxe:	1,150,000	1,410,893	1,410,893	-
Intergovernmental	9,382,332	10,004,155	10,004,155	-
Investment Earnings	100,000	35,069	35,069	-
Tuition and Fees	366,083	427,917	427,917	-
Rent	25,000	28,117	28,117	-
Contributions and Donations:	500	10,157	10,157	-
Miscellaneous	16,461	27,008	27,008	-
<b>Total Revenues</b>	<u>24,539,546</u>	<u>25,043,471</u>	<u>25,043,471</u>	<u>-</u>
Expenditures:				
Instruction:				
Regular	12,062,083	11,822,462	11,818,164	4,298
Special	2,587,581	2,823,791	2,823,791	-
Vocational	307,904	293,975	293,975	-
Student Intervention Services:	206,906	298,276	298,276	-
Support services:				
Pupils	988,786	1,072,548	1,072,548	-
Instructional Staff	1,215,837	1,212,816	1,212,816	-
Board of Educator	147,153	75,622	75,622	-
Administration	2,093,693	1,892,889	1,892,889	-
Fiscal	572,143	608,033	608,033	-
Operation and Maintenance of Plant	3,098,845	2,826,446	2,826,446	-
Pupil Transportation	2,116,093	2,089,285	2,089,285	-
Central	140,717	110,199	110,199	-
Extracurricular Activities	367,573	355,541	355,541	-
Debt service:				
Principal Retirement	-	9,815	9,815	-
Interest and Fiscal Charges:	-	1,693	1,693	-
<b>Total Expenditures</b>	<u>25,905,314</u>	<u>25,493,391</u>	<u>25,489,093</u>	<u>4,298</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,365,768)</u>	<u>(449,920)</u>	<u>(445,622)</u>	<u>4,298</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	10,500	13,578	13,578	-
Proceeds from Insurance Recoveries:	-	15,410	15,410	-
Advances In	8,202	8,202	8,202	-
Advances Out	-	(69,395)	(69,395)	-
<b>Total Other Financing Sources (Uses)</b>	<u>18,702</u>	<u>(32,205)</u>	<u>(32,205)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>(1,347,066)</u>	<u>(482,125)</u>	<u>(477,827)</u>	<u>4,298</u>
Fund Balances at Beginning of Year	2,487,946	2,487,946	2,487,946	-
Prior Year Encumbrances Appropriated	42,333	42,333	42,333	-
<b>Fund Balances at End of Year</b>	<u>\$ 1,183,213</u>	<u>\$ 2,048,154</u>	<u>\$ 2,052,452</u>	<u>\$ 4,298</u>

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUND  
AS OF JUNE 30, 2010

	Student Managed <u>Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 52,422
Total Assets	<u>52,422</u>
<b>Liabilities</b>	
Undistributed Monies	52,422
Total Liabilities	<u>\$ 52,422</u>

See accompanying notes to the basic financial statements.



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

Licking Heights 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 federal guidelines.

The School District was established in 1956 and is located just east of the City of Columbus about one-half mile from the Franklin County border. The School District serves an area of approximately 36 square miles. It is located in Licking and Franklin Counties and covers parts of the City of Pataskala, the Village of Jersey, and St. Albans and Etna Townships in Licking County and parts of Jefferson Township, the City of Reynoldsburg and the City of Columbus in Franklin County. It is staffed by 160 non-certificated employees, 221 certificated teaching personnel, and 18 administrative personnel who provide services to 3,279 students and other community members. The School District currently operates five instructional buildings, one administrative building, and a bus garage.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Licking Heights 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 has no component units.

The School District participates in several organizations which are defined as jointly governed organizations. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, and the School Study Council of Ohio. These organizations are presented in Note 16 to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements normally distinguish between those activities that are governmental and those that are considered business-type activities. However, the School District has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements*

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. Fund Accounting**

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

*Governmental Funds*

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the School District's major governmental funds:

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

Debt Service – The Debt Service Fund accounts for the accumulation of property tax revenues for, and payment of, general obligation bonds used for the construction and renovation of buildings within the School District.

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

*Fiduciary Fund*

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Measurement Focus**

*Government-wide Financial Statements*

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

*Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, interest, tuition and fees and grants.

*Unearned/Deferred Revenue*

On governmental fund financial statements, assets recognized before revenue recognition criteria have been satisfied, including property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations and grants and entitlements received before the eligibility requirements are met, and receivables that will not be collected within the available period have also been reported as deferred revenue.

On the entity-wide financial statements, property taxes levied to finance fiscal year 2011 operations and assets recognized before revenue recognition criteria have been met are reported as unearned revenue.

*Expenses/Expenditures*

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

**E. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget is waived by the Licking County Budget Commission (Budget Commission) under the authority of Section 5705.281 of the Revised Code. The Budget Commission accepts the School District's five year forecast in place of the tax budget. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

**F. Cash and Cash Equivalents**

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

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and a money market account.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$26,898, which includes \$12,961 assigned from other School District funds.

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

**G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of purchased food held for resale and expendable supplies held for consumption.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**H. Capital Assets**

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	10 – 20
Buildings and Improvements	20 – 45
Furniture, Fixtures and Equipment	7 – 20
Vehicles	5 – 20

On the Statement of Activities, depreciation of assets that serve all functions of the School District, consisting primarily of school buildings, is reported as “Unallocated Depreciation”.

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payables”. These amounts are eliminated in the governmental activities column of the Statement of Net 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The School District records a liability for all employees meeting the retirement criteria outlined by the pension systems as well as all employees with 10 or more years of service with the School District.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**K. Bond Premiums/Issuance Costs/Accretion/Gain and Loss on Refunding**

Bond issuance costs and bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and the interest on capital appreciation bonds are presented as an addition to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges. The accounting gain/loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the period in which the bonds are issued. Accretion on the capital appreciation bonds is not reported.

**L. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

**M. Fund Balance Reserves**

The School District reserves those portions of fund balance 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 balance reserves have been established for encumbrances, property tax advances and materials and supplies inventory.

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

**N. Internal Activity**

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

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



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for student activities managed by the School District and state and federal grants restricted to expenditures for specified purposes.

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

**P. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 – ACCOUNTABILITY**

Fund balances at fiscal year-end included the following individual deficits:

<u>Fund Name</u>	<u>Amount</u>
Food Service	\$ (79,040)
Other Local Grants	(35,947)
Title VI-B IDEA	(76,706)
Limited English Proficiency	(7,517)
Title I Disadvantaged Children	(23,626)
Drug Free Schools	(1,206)

The fund deficits listed above resulted from the application of accounting principles generally accepted in the United States of America. The General Fund is liable for the deficits in the Other Governmental Funds and provides operating transfers when cash is required, not when accruals occur.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**Net Change in Fund Balance**

	<b>General Fund</b>
GAAP Basis	\$ 363,730
Adjustments:	
Revenue Accruals	(1,000,205)
Expenditure Accruals	252,687
Advances	(61,193)
Encumbrances	(32,846)
Budget Basis	\$ (477,827)

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim monies held by the School District can 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;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

*Deposits*

*Custodial Credit Risk* - In the case of deposits, this is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$5,298,902, and the bank balance was \$5,595,050. Of the School District's bank balance, \$5,095,050 was exposed to custodial risk because it was uninsured and uncollateralized, while \$500,000 was covered by Federal Deposit Insurance. The School District also had \$4,000 in petty cash on hand at fiscal year end. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

*Investments*

As of June 30, 2010, the School District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>	<u>Investment Maturities Within 1 Year</u>
STAR Ohio	\$ 1,181,446	90%	\$ 1,181,446
Money Market Fund	126,526	10%	126,526
Total	<u>\$ 1,307,972</u>	<u>100%</u>	<u>\$ 1,307,972</u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 5 – DEPOSITS AND INVESTMENTS** (continued)

*Interest Rate Risk*

The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which she does not reasonably believe can be held until the maturity date.

*Credit Risk*

STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute. The School District has no investment policy that addresses credit risk.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk*

The School District places no limit on the amount it may invest in any one issuer except for commercial paper. The School District's investments in the category of money market funds, as well as STAR Ohio, exceeded 5 percent of the District's total investments.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Licking and Franklin Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amounts available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late tangible personal property tax settlement were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 6 – PROPERTY TAXES** (continued)

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

The amount available as an advance at June 30, 2010 was \$4,276,395 in the General Fund, \$1,086,894 in the Debt Service Fund, and \$332,715 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2009, was \$3,537,473 in the General Fund and \$1,125,338 in the Debt Service Fund.

The assessed values upon which fiscal year 2010 taxes were collected are:

	<u>2009 Second Half Collections</u>		<u>2010 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 510,909,260	98.15%	\$ 511,206,390	98.08%
Public Utility Personal	8,539,370	1.64%	10,020,840	1.91%
General Business Personal	1,079,695	0.21%	-	0.00%
Total	<u>\$ 520,528,325</u>	<u>100.00%</u>	<u>\$ 521,227,230</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.00		\$ 46.24	

**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2010, consisted of property taxes, revenue in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interfund. All receivables are considered collectible in full and will be received within one year with the exception of property taxes and revenue in lieu of taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Revenue in lieu of taxes will be received over the designated period established by the agreements.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Title VI-B IDEA	\$ 70,708
Limited English Proficiency	12,052
Title I	19,418
Drug Free Schools	1,722
Total Intergovernmental Receivables	<u>\$ 103,900</u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 7 – RECEIVABLES** (continued)

*Revenue in Lieu of Taxes*

The School District receives revenue in lieu of taxes from a Tax Increment Financing Agreement entered into with the City of Columbus for the purpose of constructing single, multifamily and senior housing facilities. The School District is to receive payments equal to the amount that the School District could otherwise receive as real property tax payments derived from the improvements, absent the passage of the agreement. The agreement will expire no later than fiscal year 2033.

The School District also receives revenue in lieu of taxes from a revenue sharing agreement with the City of Reynoldsburg. Licking County and the City of Reynoldsburg entered into an enterprise zone agreement to allow several businesses a tax exemption on tangible personal property taxes. The School District is to receive 50 percent of income tax revenue collected by the City of Reynoldsburg on new jobs created by the enterprise zone. This agreement will expire during fiscal year 2020.

The School District also receives revenue in lieu of taxes from a revenue sharing agreement with the Village of New Albany whereas the Village of New Albany has declared improvements to certain parcels of real property within the Village 100 percent exempt from property taxes. The School District is to receive 50 percent of income tax revenue collected by the Village of New Albany on new jobs created by the exempt parcels, not to exceed the amount the School District could have received as real property tax payments derived from the improvements had the exemption not been declared.



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Nondepreciable Capital Assets</b>				
Land	\$ 1,821,947	\$ -	\$ -	\$ 1,821,947
<b>Total Nondepreciable Assets</b>	<b>1,821,947</b>	<b>-</b>	<b>-</b>	<b>1,821,947</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	439,730	-	-	439,730
Buildings	66,460,141	6,496	-	66,466,637
Furniture, Fixtures and Equipment	1,831,815	18,988	-	1,850,803
Vehicles	2,807,788	159,692	-	2,967,480
<b>Total Depreciable Assets</b>	<b>71,539,474</b>	<b>185,176</b>	<b>-</b>	<b>71,724,650</b>
<b>Less accumulated depreciation</b>				
Land Improvements	(117,165)	(28,689)	-	(145,854)
Buildings	(10,314,429)	(1,430,740)	-	(11,745,169)
Furniture and Equipment	(757,236)	(214,005)	-	(971,241)
Vehicles	(1,848,216)	(234,019)	-	(2,082,235)
<b>Total accumulated depreciation</b>	<b>(13,037,046)</b>	<b>(1,907,453)</b>	<b>-</b>	<b>(14,944,499)</b>
<b>Depreciable Capital Assets, Net of accumulated depreciation</b>	<b>58,502,428</b>	<b>(1,722,277)</b>	<b>-</b>	<b>56,780,151</b>
<b>Total Capital Assets, Net</b>	<b>\$ 60,324,375</b>	<b>\$(1,722,277)</b>	<b>\$ -</b>	<b>\$ 58,602,098</b>

The beginning balances for capital assets were restated, by class, however, the net effect on the total beginning balance was zero. Depreciation charged to the governmental functions is as follows:

Instruction Regular	\$ 110,440
Instruction Special	9,293
Instructional Staff	3,838
Administration	13,769
Operations and Maintenance	33,341
Pupil Transportation	240,363
Central	39,850
Food Services	22,742
Extracurricular Activities	10,818
Unallocated	1,422,999
<b>Total depreciation expense</b>	<b>\$ 1,907,453</b>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 – RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with Argonaut Insurance Company for building and contents and fleet insurance.

Insurance coverage provided includes the following:

Building and Contents replacement cost (\$1,000 deductible)	\$63,373,500
General Liability (per Occurrence)	\$1,000,000
Annual Aggregate	\$3,000,000
Personal and Advertising Injury Aggregate	\$1,000,000
Automobile Liability (\$1,000 deductible)	\$1,000,000
Uninsured Motorists (\$1,000 deductible)	\$1,000,000
Medical Payments	\$5,000
Educators Legal Liability (Each Wrongful Act)	\$1,000,000
Annual Aggregate	\$3,000,000
Employment Practices Liability (Each Wrongful Act \$5,000 deductible)	\$1,000,000
Annual Aggregate	\$3,000,000
Back Wages Limit (\$10,000 deductible)	\$50,000
Commercial Excess Liability (Each Occurrence)	\$5,000,000
Annual Aggregate	\$5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant decrease in insurance coverage from the prior fiscal year.

**B. Workers' Compensation**

For fiscal year 2010, the School District paid its workers' compensation premium to the State based on its individual rate provided by Bureau of Workers Compensation. The School District has contracted with Hunter Consulting to provide third party administration services and the Corvel Managed Care Organization to provide managed care services.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System of Ohio (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 Employee 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling 800-878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org), under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirements Board. The Retirement Board acting with the advice of the actuary, allocates the employers contribution rate among four of the funds (Pension Trust fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate allocated to the Health care and Medicare B funds. The District's contribution to SERS for the years ended June 30, 2010, 2009 and 2008, were \$499,154, \$323,100 and \$359,113, respectively, 31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The District's unpaid contribution for fiscal year 2010 has been recorded as a liability in the appropriate funds.

**B. State Teachers Retirement System of Ohio**

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* can be requested in writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 – DEFINED BENEFIT PENSION PLANS** (continued)

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 10 – DEFINED BENEFIT PENSION PLANS** (continued)

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10% of covered payroll for members and 14% for employers.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,495,773, \$1,393,724, and \$1,238,345, respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The School District's unpaid contribution for fiscal year 2010 has been recorded as a liability in the appropriate funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010 one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 11 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 (latest available) was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009 (latest available), the actuarially required allocation is .76 percent. The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$29,684, \$26,658, and \$25,875, respectively, 31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2010, 2009, and 2008 were \$79,485, \$225,393, and \$215,462, respectively, 31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 11 – POSTEMPLOYMENT BENEFITS** (continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$115,059, \$107,210, and \$95,257, respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 12 – EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation, sick leave and personal leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 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.

All employees earn sick leave at the rate of one and one-fourth days per month. For part-time employees, each day of accumulation is a pro-rated day equal to the number of hours employed. Sick leave may be accumulated up to 320 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 80 days for all certificated and classified employees. All employees earn additional bonus severance days based upon years of service. Certified employees earn one to five days and classified employees earn one to six days.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 12 – EMPLOYEE BENEFITS** (continued)

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through One America and dental insurance is provided by Delta Dental. Vision insurance is offered by the School District, but the employees pay the total premium.

**C. Deferred Compensation**

School District employees may participate in a deferred compensation plan. The School District maintains a list of the various companies that have been approved by the Board. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 13 – LEASES – LESSEE DISCLOSURE**

The School District has entered into capitalized leases for copiers. All 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 basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease were initially capitalized in the amount of \$72,953 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments during the fiscal year totaled \$9,815 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2010, were acquired at cost of \$72,953. As of June 30, 2010 the copiers have accumulated depreciation of \$64,240 for a net book value of \$8,713.

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, 2010:

Fiscal Year	Principal	Interest	Total
2011	\$ 3,370	\$ 1,106	\$ 4,476
2012	3,682	794	4,476
2013	4,023	453	4,476
2014	2,885	97	2,982
Total	\$ 13,960	\$ 2,450	\$ 16,410



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 13 – LEASES – LESSEE DISCLOSURE** (continued)

The School District has entered into a noncancelable operating lease for the use of computers. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments during the fiscal year totaled \$14,706 and \$7,809 in the General Fund and Building Capital Projects Fund, respectively.

The following is a schedule of the future minimum operating lease payments:

<u>Fiscal Year</u>	<u>Total Payment</u>
2011	\$ 14,706
Total	<u>\$ 14,706</u>

**NOTE 14 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2010 were as follows:

	Amounts Outstanding 6/30/09	Additions	Deductions	Amounts Outstanding 6/30/10	Amounts Due Within One Year
General Obligation Bonds:					
2000 School Improvement Bonds- 6.4%	\$ 910,000	\$ -	\$ (5,000)	\$ 905,000	\$ 5,000
2000 School Improvement Bonds- 4.55% to 6.0%					
Serial Bonds	930,000	-	(815,000)	115,000	115,000
Capital Appreciation Bonds (CABS)	74,032	-	-	74,032	-
Accretion on CABS	531,006	165,366	-	696,372	-
2004 School Improvement Bonds- Serial Bonds- 2.75% to 4.75%	9,110,000	-	(1,100,000)	8,010,000	190,000
Capital Appreciation Bonds (CABS)- 4.15% to 4.75%	70,000	-	-	70,000	-
Accretion on CABS	425,754	235,592	-	661,346	-
Unmortized Premium	951,965	-	(48,405)	903,560	-
2005 School Construction Current Refunding Bonds					
Serial Bonds- 3.5% to 4.0%	6,775,000	-	(5,000)	6,770,000	255,000
Term Bonds- 5.0%	3,170,000	-	-	3,170,000	-
Unmortized Premium	527,146	-	(21,965)	505,181	-

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

General Obligation Bonds:	Amounts			Amounts Outstanding 6/30/10	Amounts Due Within One Year
	Outstanding 6/30/09	Additions	Deductions		
2005 School Bus Bonds- 3.5% to 4.0%	\$ 660,000	\$ -	\$ (85,000)	\$ 575,000	\$ 85,000
Unmortized Premium	12,872	-	(1,839)	11,033	-
2005 School Improvement Advance Refunding Bonds					
Serial Bonds- 3.5% to 5.0%	14,615,000	-	(70,000)	14,545,000	75,000
Term Bonds- 5.0%	2,110,000	-	-	2,110,000	-
Capital Appreciation Bonds (CABS)- 4.17% to 4.4%	174,994	-	-	174,994	-
Accretion on CABS	141,870	50,702	-	192,572	-
Unmortized Premium	1,358,926	-	(67,946)	1,290,980	-
Loss on Refunding	(1,193,120)	59,656	-	(1,133,464)	-
2006 Advance Refunding Bonds- 4.0%					
Serial Bonds	3,680,000	-	(80,000)	3,600,000	85,000
Term Bonds	5,350,000	-	-	5,350,000	-
Capital Appreciation Bonds (CABS)	29,993	-	-	29,993	-
Accretion on CABS	47,418	35,554	-	82,972	-
Unmortized Premium	695,948	-	(44,900)	651,048	-
Loss on Refunding	(556,476)	35,902	-	(520,574)	-
2007 Advance Refunding Bonds					
Serial Bonds- 4.0% to 4.3%	7,590,000	-	(55,000)	7,535,000	50,000
Term Bonds- 4.0% to 4.1%	1,685,000	-	-	1,685,000	-
Capital Appreciation Bonds (CABS)- 4.17%	49,998	-	-	49,998	-
Accretion on CABS	24,816	21,617	-	46,433	-
Unmortized Premium	510,173	-	(26,503)	483,670	-
Gain on Refunding	321,274	-	(16,690)	304,584	-
Capital Leases	23,775	-	(9,815)	13,960	3,370
Compensated Absences	1,044,553	154,470	(317,320)	881,703	115,986
Total Governmental Activities Long-Term Obligations	<u>\$ 61,851,917</u>	<u>\$ 758,859</u>	<u>\$ (2,770,383)</u>	<u>\$ 59,840,393</u>	<u>\$ 979,356</u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

*2000 School Improvement Bonds*

The School District issued School Improvement General Obligation Bonds in the amount of \$950,000 on May 1, 2000. The bonds were issued for a 28 year period with final maturity at December 31, 2028.

*2000 School Improvement Bonds*

On September 15, 2000, the School District issued \$24,049,032 in voted general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$11,825,000, \$12,150,000, and \$74,032, respectively. The School District received \$25,082,472 in bond proceeds. The bonds were issued for a 28 year period with final maturity at December 31, 2028. The debt proceeds were used to construct a new high school building with a multi-purpose area for school and community use, renovating and improving existing school buildings and facilities, and acquiring land.

On June 1, 2005, \$4,950,000 of the serial bonds and \$12,150,000 of the term bonds were advance refunded.

The capital appreciation bonds were issued for \$74,032. The fiscal year 2010 accretion amount is \$165,366. The capital appreciation bonds will mature in fiscal years 2014 through 2018 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2014	\$ 415,000
2015	500,000
2016	610,000
2017	675,000
2018	745,000

*2004 School Improvement Bonds*

On May 17, 2004, the School District issued \$29,000,000 in general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$22,530,000, \$6,400,000, and \$70,000, respectively. The bonds were issued for a 24 year period with final maturity at December 31, 2028. The debt proceeds were used to construct two new elementary schools, renovate existing school buildings, purchase equipment, acquire land and repay energy conservation notes.

The term bonds issued at \$6,400,000 were refunded on October 11, 2007.

The serial bonds issued at \$22,530,000 with final maturity dates after December 1, 2014 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after June 1, 2014 at the redemption price of 100 percent. \$9,185,000 of the serial bonds were refunded on November 1, 2006 and an additional \$2,980,000 were refunded on October 11, 2007.

The capital appreciation bonds were issued for \$70,000. The maturity amount of the bonds is \$2,875,000. The fiscal year 2010 accretion amount is \$235,592.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

The capital appreciation bonds will mature in fiscal years 2012 through 2016 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2012	\$ 335,000
2013	435,000
2014	585,000
2015	685,000
2016	835,000

*2005 School Construction Current Refunding Bonds*

On June 1, 2005, the School District issued \$11,000,000 in voted general obligation bonds. The bond issue included serial and term bonds, in the amounts of \$7,830,000 and \$3,170,000, respectively. The bonds refunded \$11,000,000 of bond anticipation notes. The bonds were issued for a 27 year period with final maturity at December 31, 2032.

The term bonds issued at \$3,170,000, that mature in 2032, are subject to mandatory sinking fund redemption on December 1, 2028, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemptions according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2028	\$ 575,000
2029	600,000
2030	635,000
2031	665,000
2032	695,000

The serial bonds issued at \$7,830,000 and with final maturity dates after June 1, 2015 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after June 1, 2015 at the redemption price of 100 percent.

*2005 School Bus Bonds*

On June 1, 2005, the School District issued \$1,000,000 in general obligation serial bonds. The bonds were issued for a 10 year period with final maturity at December 31, 2015. The debt proceeds were used to purchase new school buses.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

*2005 School Improvement Advance Refunding Bonds*

On June 1, 2005, the School District issued \$17,099,994 of general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$14,815,000, \$2,110,000, and \$174,994, respectively. The bonds refunded \$17,100,000 of outstanding 2000 School Improvement Bonds. The bonds were issued for a 23 year period with final maturity at December 31, 2028.

The term bonds issued at \$2,110,000, that mature on December 1, 2028, are subject to mandatory sinking fund redemption on December 1, 2028, at 100 percent of the principal amount plus accrued interest to the date of redemption.

The serial bonds issued at \$14,815,000, and with final maturity dates after June 1, 2015, are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after June 1, 2015 at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$174,994, are not subject to prior redemption. The fiscal year 2010 accretion amount is \$50,702. The capital appreciation bonds will mature in fiscal years 2017 through 2019 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2017	\$ 85,000
2018	85,000
2019	1,085,000

At June 30, 2010, \$17,100,000 of the refunded bonds were outstanding and the fair market value of securities held in escrow to pay off the refunded bonds totaled \$17,242,483.

*2006 Advance Refunding Bonds*

On November 1, 2006, the School District issued \$9,184,993 of general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$3,805,000, \$5,350,000, and \$29,993, respectively. The bonds refunded \$9,185,000 of outstanding 2004 School Improvement Bonds. The bonds were issued for an 18 year period with final maturity at December 31, 2024.

The term bonds were issued at \$5,350,000. \$280,000 of the term bonds that mature on December 1, 2021, are subject to mandatory sinking fund redemption on December 1, 2021, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemptions according to the following schedule:

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2017	\$ 50,000
2018	55,000
2019	55,000
2020	60,000
2021	60,000

The \$5,070,000 term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption on December 1, 2023, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2023	\$ 3,690,000
2024	1,380,000

The serial bonds issued at \$3,805,000 and with final maturity dates after December 1, 2016 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after December 1, 2016 at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$29,993, are not subject to prior redemption. The fiscal year 2010 accretion amount is \$35,554. The capital appreciation bonds will mature in fiscal years 2016 and 2017 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2016	\$ 105,000
2017	1,165,000

At June 30, 2009, \$9,185,000 of the refunded bonds were outstanding.

*2007 Advanced Refunding Bonds*

On October 11, 2007, the School District issued \$9,379,998 in general obligation bonds for the purpose of refunding \$9,380,000 of the 2004 School Improvement Bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$7,645,000, \$1,685,000, and \$49,998, respectively. The bonds were issued for a 22 year period, with final maturity in December 2029.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

The term bonds were issued at \$1,685,000. \$370,000 of the term bonds that mature on December 1, 2018, are subject to mandatory sinking fund redemption on December 1, 2018, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemptions according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2014	\$ 70,000
2015	70,000
2016	75,000
2017	75,000
2018	80,000

The \$1,315,000 term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption on December 1, 2025, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Principal Amount to be Redeemed
2020	\$ 30,000
2021	30,000
2022	145,000
2023	35,000
2024	35,000
2025	1,040,000

The serial bonds issued at \$7,645,000 and with final maturity dates after December 1, 2016 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after December 1, 2016 at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$49,998, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2020 in the amount of \$1,075,000. The fiscal year 2010 accretion amount is \$21,617.

The refunded bonds outstanding at June 30, 2009 were \$9,380,000.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 – LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire the School District’s outstanding debt at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal**	Interest
2011	\$ 865,000	\$ 1,947,005	\$ -	\$ 546,715	\$ -	\$ -
2012	745,000	1,919,514	-	546,715	180,673	154,327
2013	900,000	1,893,239	-	546,715	162,431	272,569
2014	630,000	1,859,525	-	546,715	330,906	669,094
2015	580,000	1,896,720	70,000	543,915	302,754	882,246
2016-2020	6,615,000	8,788,900	460,000	2,668,775	1,101,948	5,363,052
2021-2025	17,560,000	5,103,438	5,465,000	2,326,165	-	-
2026-2030	14,160,000	1,260,407	4,325,000	1,025,958	-	-
2031-2033	-	-	1,995,000	152,625	-	-
<b>Total</b>	<b>\$ 42,055,000</b>	<b>\$ 24,668,748</b>	<b>\$ 12,315,000</b>	<b>\$ 8,904,298</b>	<b>\$ 2,078,712</b>	<b>\$ 7,341,288</b>

\*\*Principal includes accreted interest to date on Capital Appreciaition Bonds

All general obligation bonds will be retired from the Debt Service Fund with property tax revenues. Capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund and the Food Service Funds.

The School District’s overall legal debt margin was (\$46,910,451) with an unvoted debt margin of \$521,227 at June 30, 2010. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district’s portion of Ohio School Facilities construction project costs. The School District submitted the issuance of the School Construction Bonds to the electors prior to the adoption of H.B. 530. In addition, H.B. 530 now excludes tangible personal property used in business, telephone, or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 15 – INTERFUND ACTIVITY**

There were no transfers made during the fiscal year

Interfund balances at June 30, 2010, consist of the following interfund receivables and payables:

	<u>Beginning Balance</u>	<u>Advance In</u>	<u>Advance Out</u>	<u>Ending Balance</u>
General Fund	\$ (8,202)	\$ 8,202	\$ (69,395)	\$ (69,395)
Other Local Grants	\$ -	\$ 37,779	\$ -	\$ 37,779
Title IV-B IDEA Special Education	2,627	22,329	(2,627)	22,329
Limited English Proficiency	5,187	7,517	(5,187)	7,517
Title I	-	48	-	48
Drug Free Schools	388	1,722	(388)	1,722
	<u>\$ 8,202</u>	<u>\$ 69,395</u>	<u>\$ (8,202)</u>	<u>\$ 69,395</u>

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

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Licking Area Computer Association** - The School District is a participant in the Licking Area Computer Association (LACA), which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendent from all participating districts. The School District paid \$150,570 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, Ohio 43055.

**B. Metropolitan Educational Council** - The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes 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 either 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 fiscal year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District paid \$1,200 to MEC for membership during fiscal year 2010. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS** (continued)

**C. School Study Council of Ohio** - The School Study Council of Ohio (the “Council”) is a jointly governed organization operated by a Board of Trustees (the “Board”) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and participate in Council discussions, but are not entitled to vote. The Board is annually elected from within the Council’s active membership. The Board consisted of 14 members. In fiscal year 2010, Licking Heights Local School District obtained active membership privileges and paid a membership fee of \$930. Financial information may be obtained from the School Study Council of Ohio, at 2080 Citygate Drive, Columbus, OH 43219.

**D. State Support Team** -The State Support Team Region 11 (SSTR11) is a new agency that combines regional services provided by the former Central Ohio Special Education Regional Resource Center (COSERRC) and Central Ohio Regional School Improvement Team (CORSIT).

As one of Ohio's 16 State Support Team’s, SSTR11 will provide services and assistance to school districts, educational service centers, community schools, early childhood centers, and families in four areas:

- School Improvement, designed to improve educational outcomes for all students, including students with disabilities and at risk learners;
- Special Education Compliance with federal and state mandates for serving students with disabilities and students at risk for school failure;
- Literacy services that include coaching on high-quality literacy planning, instruction, and assessment; and
- Early Learning and School Readiness, focused on compliance and high-quality instruction through technical assistance and professional development.

In fiscal year 2010, Licking Heights Local School District obtained active membership privileges and paid a membership fee of \$930. Financial information may be obtained from the State Support Team-Region 11, at 2080 Citygate Drive, Columbus, OH 43219.

**NOTE 17 – SUBSEQUENT EVENTS**

On September 22, 2010, the School District issued Certificates of Participation totaling \$10,230,000 for the purpose of constructing, improving, furnishing, and equipment school facilities. The Certificates of Participation have maturity dates ranging from December 1, 2012 to December 1, 2035, and interest rates ranging from 2% to 6.2%.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 18 – SET-ASIDE CALCULATIONS**

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

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

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside cash balance as of June 30, 2009	\$ (939,826)	\$ -
Current fiscal year set-aside requirement	487,871	487,871
Current fiscal year offsets	-	(477,682)
Qualifying Disbursements	(223,023)	(14,706)
Set-aside Reserve Balance as of June 30, 2010	\$ (674,978)	\$ (4,517)
Required Set-aside Balances Carried Forward to FY 2011	\$ (674,978)	\$ -

The School District had offsets and qualifying disbursements during the fiscal year that reduced the setaside amount below zero for textbooks and instructional materials. This amount may be carried forward to reduce the set-aside requirement of future fiscal years.

Amounts of offsets and qualifying disbursements for capital acquisitions presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District had qualifying disbursements during the fiscal year that would have reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirements of future fiscal years, therefore the School District has chosen not to present them.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 19 – CONTINGENCIES**

**A. 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, 2010.

**B. Litigation**

The School District is not a party to any legal proceedings.

**NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2010, the District has implemented GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, and GASB Statement No. 58 “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 improves the quality of accounting financial reporting by establishing requirements for derivative instruments. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 21 – NEW PRONOUNCEMENTS**

*GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions”* establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The implementation of this statement is effective for financial statements for periods beginning after June 15, 2010.

*GASB Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”* addresses the provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this statement is effective for financial statements for periods beginning after June 15, 2011.

*GASB Statement No. 59 “Financial Statements Omnibus”* updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this statement is effective for financial statements for periods beginning after June 15, 2010.

**NOTE 22 –ACCOUNTING CHANGES**

Prior period adjustments are the net effect of changes resulting from the correction of an error. Because such amounts are the product of errors from a prior period, they are not properly included as part of the results of operations of the current period, rather are reported as a direct adjustment to beginning fund balance to restate that amount to what it would have been had the error not occurred.

In the District’s fiscal year 2009 financial statements, receivables were overstated by \$14,759,331 as a result of an error in accounting for Revenue In Lieu of Taxes.

The effects of this overstatement on fund balances/net assets are as follows:

	Governmental Activities
Balance as of June 30, 2009	\$ 24,957,462
Revenue in Lieu of Taxes Receivable	(14,759,331)
Restated Balance as of July 1, 2009	\$ 10,198,131

The adjustment had no net effect on the general fund due to the receivable and deferred revenue being overstated.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 42,815	\$ 42,815
Cash Assistance			
School Breakfast Program	10.553	83,332	83,332
National School Lunch Program	10.555	461,497	461,497
Total Nutrition Cluster		<u>544,829</u>	<u>544,829</u>
<b>Total U.S. Department of Agriculture</b>		<u><b>587,644</b></u>	<u><b>587,644</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education</i>			
Special Education Cluster:			
Special Education_Grants to States Program	84.027	416,430	420,078
ARRA - Special Education_Grants to States Program	84.391	256,071	235,189
Total Special Education Cluster		<u>672,501</u>	<u>655,267</u>
Title I Cluster:			
Title I Grants to Local Education Agencies Program	84.010	145,421	145,421
ARRA - Title I Grants to Local Educational Agencies	84.389	35,417	34,549
Total Title I Grants Cluster		<u>180,838</u>	<u>179,970</u>
Safe and Drug-Free Schools and Communities State Grants Program	84.186	6,320	6,192
Education Technology State Grants Program	84.318	1,278	1,278
English Language Acquisition Grants	84.365	61,150	61,150
Improving Teacher Quality State Grants Program	84.367	56,175	56,175
ARRA - State Fiscal Stabilization Fund	84.394	505,511	483,288
<b>Total U.S. Department of Education</b>		<u><b>1,483,772</b></u>	<u><b>1,443,320</b></u>
<b>Total</b>		<u><u><b>\$ 2,071,416</b></u></u>	<u><u><b>\$ 2,030,964</b></u></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Licking Heights Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.





# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Licking Heights Local School District  
Licking County  
6539 Summit Road S.W.  
Pataskala, Ohio 43062

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 30, 2010, wherein we noted the District restated July 1, 2009 Net Assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

#### **Compliance and Other Matters**

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

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 30, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Licking Heights Local School District  
Licking County  
6539 Summit Road S.W.  
Pataskala, Ohio 43062

To the Board of Education:

#### Compliance

We have audited the compliance of Licking Heights 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 could directly and materially affect each of Licking Height Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Licking Heights Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

December 30, 2010

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B Special Education (IDEA B): CFDA # 84.027, 84.391  State Fiscal Stabilization Fund (SFSF): CFDA # 84.394  Title I: CFDA # 84.010, 84.389
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**This Page is Intentionally Left Blank.**



**Mary Taylor, CPA**  
Auditor of State

LICKING HEIGHTS 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  
FEBRUARY 1, 2011