



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Licking Heights Local School District
Licking County
6539 Summit Road
Summit Station, Ohio 43073

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

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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 that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

October 16, 2000

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**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Cash and Cash Equivalents	\$1,125,035	\$115,459	\$234,774	\$11,955,297
Investments	0	0	0	12,843,602
Cash and Cash Equivalents with Fiscal Agents	0	0	6,914	0
<u>Receivables:</u>				
Property Taxes	4,233,116	0	819,287	0
Accounts	1,048	93	0	0
Intergovernmental	14,002	8,675	0	0
Accrued Interest	114	0	0	58,828
Inventory Held for Resale	0	0	0	0
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	71,659	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$5,444,974</u>	<u>\$124,227</u>	<u>\$1,060,975</u>	<u>\$24,857,727</u>
<u>Liabilities, Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$28,375	\$2,919	\$0	\$18,737
Contracts Payable	0	0	0	176,746
Retainage Payable	0	0	0	40,434
Accrued Salaries and Benefits Payable	558,668	4,960	0	0
Intergovernmental Payable	136,230	699	0	0
Due to Students	0	0	0	0
Deferred Revenue	3,857,833	0	818,777	0
Accrued Interest Payable	0	0	1,689	0
Matured Interest Payable	0	0	6,914	0
Compensated Absences Payable	22,509	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
School Improvement Long-Term Notes Payable	0	0	0	0
School Improvement Bonds Payable	0	0	0	0
Total Liabilities	<u>4,603,615</u>	<u>8,578</u>	<u>827,380</u>	<u>235,917</u>
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
<u>Retained Earnings:</u>				
Unreserved	0	0	0	0
<u>Fund Balances:</u>				
Reserved for Encumbrances	198,422	13,781	0	1,411,013
Reserved for Budget Stabilization	34,343	0	0	0
Reserved for Bus Purchases	37,316	0	0	0
Reserved for Property Taxes	375,283	0	510	0
Unreserved, Undesignated	195,995	101,868	233,085	23,210,797
Total Fund Equity and Other Credits	<u>841,359</u>	<u>115,649</u>	<u>233,595</u>	<u>24,621,810</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$5,444,974</u>	<u>\$124,227</u>	<u>\$1,060,975</u>	<u>\$24,857,727</u>

See accompanying notes to the general purpose financial statements

(Continued)

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise	Agency			
\$51,695	\$12,661	\$0	\$0	\$13,494,921
0	0	0	0	12,843,602
0	0	0	0	6,914
0	0	0	0	5,052,403
42	0	0	0	1,183
5,848	0	0	0	28,525
0	0	0	0	58,942
5,619	0	0	0	5,619
0	0	0	0	71,659
16,063	0	8,690,378	0	8,706,441
0	0	0	233,595	233,595
0	0	0	25,389,921	25,389,921
<u>\$79,267</u>	<u>\$12,661</u>	<u>\$8,690,378</u>	<u>\$25,623,516</u>	<u>\$65,893,725</u>
\$1,625	\$0	\$0	\$0	\$51,656
0	0	0	0	176,746
0	0	0	0	40,434
15,743	0	0	0	579,371
10,157	0	0	58,427	205,513
0	12,661	0	0	12,661
3,412	0	0	0	4,680,022
0	0	0	0	1,689
0	0	0	0	6,914
9,506	0	0	368,569	400,584
0	0	0	18,520	18,520
0	0	0	105,000	105,000
0	0	0	73,000	73,000
0	0	0	24,050,000	24,050,000
0	0	0	950,000	950,000
<u>40,443</u>	<u>12,661</u>	<u>0</u>	<u>25,623,516</u>	<u>31,352,110</u>
0	0	8,690,378	0	8,690,378
1,976	0	0	0	1,976
36,848	0	0	0	36,848
0	0	0	0	1,623,216
0	0	0	0	34,343
0	0	0	0	37,316
0	0	0	0	375,793
0	0	0	0	23,741,745
<u>38,824</u>	<u>0</u>	<u>8,690,378</u>	<u>0</u>	<u>34,541,615</u>
<u>\$79,267</u>	<u>\$12,661</u>	<u>\$8,690,378</u>	<u>\$25,623,516</u>	<u>\$65,893,725</u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Property Taxes	\$3,809,423	\$0	\$67,719	\$0	\$3,877,142
Intergovernmental	2,497,794	278,827	3,860	31,152	2,811,633
Interest	108,521	0	0	222,260	330,781
Tuition and Fees	174,622	0	0	0	174,622
Extracurricular Activities	0	119,276	0	0	119,276
Gifts and Donations	5,718	4,446	0	0	10,164
Miscellaneous	19,827	0	0	0	19,827
Total Revenues	6,615,905	402,549	71,579	253,412	7,343,445
Expenditures:					
Current:					
Instruction:					
Regular	2,999,813	85,992	0	0	3,085,805
Special	459,398	88,387	0	0	547,785
Vocational	145,098	1,101	0	0	146,199
Other	18,526	800	0	0	19,326
Support Services:					
Pupils	296,355	51,081	0	0	347,436
Instructional Staff	214,705	20,708	0	0	235,413
Board of Education	11,580	0	0	0	11,580
Administration	696,240	20,722	0	0	716,962
Fiscal	234,194	0	416	0	234,610
Operation and Maintenance of Plant	666,517	3,760	0	21	670,298
Pupil Transportation	572,890	82	0	0	572,972
Central	17,543	1,932	0	0	19,475
Extracurricular Activities	137,654	121,527	0	0	259,181
Capital Outlay	0	0	0	432,459	432,459
Debt Service:					
Principal Retirement	21,680	0	139,000	245,000	405,680
Interest and Fiscal Charges	18,501	0	15,304	0	33,805
Total Expenditures	6,510,694	396,092	154,720	677,480	7,738,986
Excess of Revenues Over (Under) Expenditures	105,211	6,457	(83,141)	(424,068)	(395,541)
Other Financing Sources:					
Inception of a Capital Lease	17,096	0	0	0	17,096
Proceeds from Sale of Fixed Assets	1,855	0	0	0	1,855
Proceeds from Sale of Bonds	0	0	0	950,000	950,000
Proceeds from Sale of Long Term Notes	0	0	0	24,050,000	24,050,000
Total Other Financing Sources	18,951	0	0	25,000,000	25,018,951
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	124,162	6,457	(83,141)	24,575,932	24,623,410
Fund Balances at Beginning of Year - (Restated Note 3)	717,197	109,192	316,736	45,878	1,189,003
Fund Balances at End of Year	\$841,359	\$115,649	\$233,595	\$24,621,810	\$25,812,413

See accompanying notes to the general purpose financial statements

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LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$3,853,790	\$3,853,790	\$0	\$0	\$0	\$0
Intergovernmental	2,485,246	2,485,246	0	266,152	270,152	4,000
Interest	98,976	108,407	9,431	0	0	0
Tuition and Fees	173,844	174,034	190	0	0	0
Extracurricular Activities	0	0	0	118,756	119,183	427
Gifts and Donations	5,718	5,718	0	4,446	4,446	0
Miscellaneous	20,759	21,171	412	0	0	0
Total Revenues	6,638,333	6,648,366	10,033	389,354	393,781	4,427
Expenditures:						
Current:						
Instruction:						
Regular	3,053,811	3,043,344	10,467	119,387	101,507	17,880
Special	476,789	476,789	0	91,110	89,586	1,524
Vocational	153,010	153,010	0	1,812	1,812	0
Other	21,026	21,026	0	1,600	1,600	0
Support Services:						
Pupils	311,175	311,175	0	51,622	51,532	90
Instructional Staff	236,551	236,551	0	29,965	22,062	7,903
Board of Education	12,079	12,079	0	0	0	0
Administration	708,683	708,683	0	18,440	18,440	0
Fiscal	261,669	261,599	70	0	0	0
Operation and Maintenance of Plant	691,615	691,464	151	3,760	3,760	0
Pupil Transportation	664,396	664,396	0	11,082	82	11,000
Central	17,543	17,543	0	1,932	1,932	0
Extracurricular Activities	134,541	134,541	0	155,917	128,404	27,513
Capital Outlay	32,923	32,923	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,775,811	6,765,123	10,688	486,627	420,717	65,910
Excess of Revenues Under Expenditures	(137,478)	(116,757)	20,721	(97,273)	(26,936)	70,337
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	1,855	1,855	0	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Long Term Notes	0	0	0	0	0	0
Total Other Financing Sources	1,855	1,855	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(135,623)	(114,902)	20,721	(97,273)	(26,936)	70,337
Fund Balances at Beginning of Year	749,367	749,367	0	96,068	96,068	0
Prior Year Encumbrances Appropriated	298,212	298,212	0	29,628	29,628	0
Fund Balances at End of Year	\$911,956	\$932,677	\$20,721	\$28,423	\$98,760	\$70,337

See accompanying notes to the general purpose financial statements

(Continued)

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$76,180	\$76,180	\$0	\$0	\$0	\$0	\$3,929,970	\$3,929,970	\$0
3,860	3,860	0	31,152	31,152	0	2,786,410	2,790,410	4,000
1,689	1,689	0	76,338	144,822	68,484	177,003	254,918	77,915
0	0	0	0	0	0	173,844	174,034	190
0	0	0	0	0	0	118,756	119,183	427
0	0	0	0	0	0	10,164	10,164	0
0	0	0	0	0	0	20,759	21,171	412
<u>81,729</u>	<u>81,729</u>	<u>0</u>	<u>107,490</u>	<u>175,974</u>	<u>68,484</u>	<u>7,216,906</u>	<u>7,299,850</u>	<u>82,944</u>
0	0	0	96,975	64,813	32,162	3,270,173	3,209,664	60,509
0	0	0	0	0	0	567,899	566,375	1,524
0	0	0	0	0	0	154,822	154,822	0
0	0	0	0	0	0	22,626	22,626	0
0	0	0	0	0	0	362,797	362,707	90
0	0	0	0	0	0	266,516	258,613	7,903
0	0	0	0	0	0	12,079	12,079	0
0	0	0	0	0	0	727,123	727,123	0
779	471	308	0	0	0	262,448	262,070	378
0	0	0	21	21	0	695,396	695,245	151
0	0	0	281	281	0	675,759	664,759	11,000
0	0	0	0	0	0	19,475	19,475	0
0	0	0	0	0	0	290,458	262,945	27,513
0	0	0	25,000,000	2,043,626	22,956,374	25,032,923	2,076,549	22,956,374
139,000	139,000	0	0	0	0	139,000	139,000	0
15,561	15,304	257	0	0	0	15,561	15,304	257
<u>155,340</u>	<u>154,775</u>	<u>565</u>	<u>25,097,277</u>	<u>2,108,741</u>	<u>22,988,536</u>	<u>32,515,055</u>	<u>9,449,356</u>	<u>23,065,699</u>
<u>(73,611)</u>	<u>(73,046)</u>	<u>565</u>	<u>(24,989,787)</u>	<u>(1,932,767)</u>	<u>23,057,020</u>	<u>(25,298,149)</u>	<u>(2,149,506)</u>	<u>23,148,643</u>
0	0	0	0	0	0	1,855	1,855	0
0	0	0	950,000	950,000	0	950,000	950,000	0
0	0	0	24,050,000	24,050,000	0	24,050,000	24,050,000	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>0</u>	<u>25,001,855</u>	<u>25,001,855</u>	<u>0</u>
(73,611)	(73,046)	565	10,213	23,067,233	23,057,020	(296,294)	22,852,349	23,148,643
307,820	307,820	0	45,391	45,391	0	1,198,646	1,198,646	0
0	0	0	20,734	20,734	0	348,574	348,574	0
<u>\$234,209</u>	<u>\$234,774</u>	<u>\$565</u>	<u>\$76,338</u>	<u>\$23,133,358</u>	<u>\$23,057,020</u>	<u>\$1,250,926</u>	<u>\$24,399,569</u>	<u>\$23,148,643</u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
Revenues:	
Sales	\$281,183
Total Revenues	281,183
Expenses:	
Salaries	120,484
Fringe Benefits	32,575
Purchased Services	7,609
Materials and Supplies	5,267
Cost of Sales	167,489
Depreciation	2,250
Total Expenses	335,674
Operating Loss	(54,491)
Non-Operating Revenues:	
Federal Donated Commodities	20,771
Interest Income	2,259
Federal and State Subsidies	43,848
Total Non-Operating Revenues	66,878
Net Income	12,387
Retained Earnings at Beginning of Year	24,461
Retained Earnings at End of Year	36,848
Capital Contributions During the Year	1,976
Total Fund Equity at End of Year	\$38,824

See accompanying notes to the general purpose financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$281,141	\$281,141	\$0
Interest	2,026	2,259	233
Federal and State Subsidies	43,840	43,840	0
Total Revenues	327,007	327,240	233
Expenses:			
Salaries	131,941	121,751	10,190
Fringe Benefits	31,900	31,585	315
Purchased Services	8,830	7,609	1,221
Materials and Supplies	165,422	155,953	9,469
Capital Outlay	100	0	100
Total Expenses	338,193	316,898	21,295
Excess of Revenues Over (Under) Expenses	(11,186)	10,342	21,528
Operating Transfer-Out	(1,113)	0	1,113
Excess of Revenues Over (Under) Expenses and Advances	(12,299)	10,342	22,641
Fund Equity at Beginning of Year	34,044	34,044	0
Prior Year Encumbrances Appropriated	3,980	3,980	0
Fund Equity at End of Year	\$25,725	\$48,366	\$22,641

See accompanying notes to the general purpose financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise</u>
<u>Increase in Cash and Cash Equivalents</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$281,141
Cash Payments for Employee Services and Benefits	(153,336)
Cash Payments to Suppliers for Goods and Services	<u>(160,234)</u>
Net Cash Used for Operating Activities	(32,429)
<u>Cash Flows from Noncapital Financing Activities</u>	
Operating Grants Received	43,840
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	<u>2,259</u>
Net Increase in Cash and Cash Equivalents	13,670
Cash and Cash Equivalents Beginning of Year	<u>38,025</u>
Cash and Cash Equivalents End of Year	<u><u>\$51,695</u></u>
Reconciliation of Operating Loss to Net Cash <u>Used for Operating Activities:</u>	
Operating Loss	(\$54,491)
Adjustments to Reconcile Operating Loss <u>to Net Cash Used for Operating Activities:</u>	
Depreciation	2,250
Donated Commodities Used During the Year	20,771
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(42)
Increase in Inventory Held for Resale	(246)
Decrease in Accounts Payable	(394)
Decrease in Accrued Salaries and Benefits Payable	(1,694)
Increase in Intergovernmental Payable	990
Increase in Compensated Absences Payable	<u>427</u>
Net Cash Used for Operating Activities	<u><u>(\$32,429)</u></u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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/or 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 53 square miles. It is located in Licking and Franklin Counties, and covers parts of the City of Pataskala, and Jersey, Lima, St. Albans and Etna Townships in Licking County and the Cities of Reynoldsburg and Columbus, and Jefferson and Truro Townships in Franklin County. The School District is the 444th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 51 classified employees, 77 certificated full-time teaching personnel, and 7 administrative employees who provide services to 1,116 students and other community members. The School District currently operates four instructional buildings, one administrative building, and one garage.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Licking 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 is associated with two jointly governed organizations and one insurance purchasing pool. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Governmental Fund Types: (Continued)

Debt Service Fund

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

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District's only proprietary fund type is as follows:

Enterprise Funds

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

Fiduciary Fund Types:

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

Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Account Groups: (Continued)

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

Tax Budget:

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

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

Estimated Resources:

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The allocation of appropriations among functions within a fund may be modified during the fiscal year by the Treasurer without Board approval.

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

Encumbrances:

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

Lapsing of Appropriations:

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to STAR Ohio and federal agency securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. 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. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

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 2000 amounted to \$108,521, which includes \$35,381 assigned from other School District funds.

The School District has a segregated bank account for the bond and coupon account held separate from the School District's central bank account. This non-interest bearing checking account is presented in the combined balance sheet as "cash and cash equivalents with fiscal agents" since it is not required to be deposited into the School District treasury.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside for budget stabilization. See Note 20 for the calculation of the year end restricted asset balance and the corresponding fund reserve.

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

H. Intergovernmental Revenues

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

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

- Entitlements
 - General Fund
 - State Foundation Program
 - State Property Tax Relief
 - School Bus Purchase Reimbursement
 - Gifted Identification Supplemental Funds

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants
Special Revenue Funds
 Venture Capital
 Career Development
 Eisenhower
 Education Management Information Systems
 Disadvantaged Pupil Impact Aid
 Data Communications Support
 SchoolNet Professional Development
 Teacher Development
 Ohio Reads Grant
 Summer Intervention
 Title I
 Title VI
 Title VI-B
 Title VI-R
 Safe School Help Hot Line
 Student Assistance Program Funds
 Continuous Improvement Grant
 Virtual Grant
 Drug-Free Schools
 Textbook and Instructional Material Subsidy
Capital Projects Funds
 SchoolNet
 SchoolNet Plus
Reimbursable Grants
 General Fund
 Driver Education
 Community Alternative Funding System
 Special Revenue Funds
 Telecommunication E-Rate
 Proprietary Funds
 National School Lunch Program
 National School Breakfast Program
 Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately thirty-eight percent of governmental fund revenue during the 2000 fiscal year.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term debt account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year end are considered not to have used current available financial resources. Bonds, long-term notes, and capital leases payable are reported as a liability of the general long-term debt account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Interfund Transactions

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves

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

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

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined.

Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

N. Estimates

The preparation of the 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.

O. Total Columns on General Purpose Financial Statements

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

3. RESTATEMENT OF PRIOR YEAR BALANCES

The School District had a fund reclassification from the expendable trust fund type to the special revenue fund type. The reclassification caused a change in the excess of revenues and other financing sources over (under) expenditures as previously reported for the year ended June 30, 1999:

	Special Revenue	Expendable Trust
Excess as previously reported	\$36,872	(\$24,605)
Reclassification of a fund	(24,605)	24,605
Restated amount for the year ended June 30, 1999	\$12,267	\$0

The fund reclassification had the following effects on fund balance as it was previously reported as of June 30, 1999.

	Special Revenue	Expendable Trust
Balances as previously reported	\$106,345	\$2,847
Reclassification of a fund	2,847	(2,847)
Restated Balances as of July 1, 1999	\$109,192	\$0

The general long-term debt account group total liabilities increased from \$738,131 to \$994,542 as of June 30, 1999, due to the understatement of capital leases.

The general fixed assets account group total fixed assets decreased from \$8,077,319 to \$8,055,505 as of June 30, 1999, due to the overstatement of fixed assets.

4. BUDGETARY BASIS OF ACCOUNTING

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

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bonds are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$124,162	\$6,457	(\$83,141)	\$24,575,932
Revenue Accruals	32,461	(8,768)	10,150	(58,827)
GASB 31 Adjustment	0	0	0	(18,611)
Expenditure Accruals	(7,508)	(7,926)	(55)	215,669
Encumbrances	(264,017)	(16,699)	0	(1,646,930)
Budget Basis	<u>(\$114,902)</u>	<u>(\$26,936)</u>	<u>(\$73,046)</u>	<u>\$23,067,233</u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Enterprise
Net Income Excess of Revenues Over Expenses Proprietary Fund Type	
GAAP Basis	\$12,387
Revenue Accrual	(50)
Expense Accrual	(670)
Inventory Held for Resale	(246)
Depreciation Expense	2,250
Encumbrances	(3,329)
Budget Basis	\$10,342

5. ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2000:

	Deficit Fund Balances
<u>Special Revenue Funds:</u>	
Title VI-B	\$702
Title VI-R	2,010

The deficit balances in the special revenue funds are the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

6. DEPOSITS AND INVESTMENTS

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Interim monies may 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either the two highest rating classification by at least two nationally recognized rating agencies.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. 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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$23,595 and the bank balance was \$104,540. Of the bank balance, \$100,000 was covered by federal depository insurance and \$4,540 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Category 2	Fair Value
STAR Ohio	\$0	\$13,549,899
Federal Farm Credit Bank Notes	1,117,812	1,117,812
Federal Home Loan Bank Notes	2,979,860	2,979,860
Federal Home Loan Bank Discount Notes	964,346	964,346
Federal National Mortgage Association Discount Notes	3,907,514	3,907,514
Federal Home Loan Mortgage Corporation	994,610	994,610
Federal Home Loan Mortgage Corporation Discount Notes	2,879,460	2,879,460
Total	\$12,843,602	\$26,393,501

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The federal agency securities have maturities ranging from August 2000 to May 2002.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$13,573,494	\$12,843,602
Investments of the Cash Management Pool:		
STAR Ohio	(13,549,899)	13,549,899
GASB Statement 3	\$23,595	\$26,393,501

7. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Real and public utility property taxes are payable annually and 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, unless extended. Under certain, circumstances, State statute permits earlier or later payment dates to be established. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the rates determined in the preceding year.

Tangible personal property used in business (except public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. 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.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

7. PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility taxes are payable on the same dates as real property taxes described previously.

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

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$117,757,680	83.29%	\$157,773,830	86.39%
Public Utility	7,871,520	5.56	8,254,320	4.52
Tangible Personal Property	15,761,147	11.15	16,602,460	9.09
Total Assessed Value	<u>\$141,390,347</u>	<u>100.00%</u>	<u>\$182,630,610</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$42.10		\$41.60	

The School District receives property taxes from Licking and Franklin Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$375,283 in the general fund and \$510 in the bond retirement debt service fund.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

8. RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Tuition Reimbursement	\$11,798
Drivers Education	1,250
Vocational Reimbursements	954
Total General Fund	14,002
Special Revenue Funds	
Data Communications Support	3,017
SchoolNet Professional Development	1,000
Virtual Grant	4,658
Total Special Revenue Funds	8,675
Enterprise Funds	
National School Lunch Program	5,848
Total Intergovernmental Receivables	\$28,525

9. FIXED ASSETS

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

Furniture and Equipment	\$66,822
Land and Improvements	1,150
Total Fixed Assets	67,972
Less Accumulated Depreciation	(51,909)
Net Fixed Assets	\$16,063

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

9. FIXED ASSETS (Continued)

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

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$417,293	\$1,000	\$0	\$418,293
Buildings and Improvements	5,480,101	91,504	0	5,571,605
Furniture, Fixtures and Equipment	1,484,496	186,792	33,900	1,637,388
Vehicles	673,615	120,460	19,000	775,075
Construction in Progress	<u>0</u>	<u>288,017</u>	<u>0</u>	<u>288,017</u>
Total General Fixed Assets	<u>\$8,055,505</u>	<u>\$687,773</u>	<u>\$52,900</u>	<u>\$8,690,378</u>

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for all of the insurances shown below. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$10,950,100
Boiler and Machinery (\$1,000 deductible)	4,704,000
Extra Expense (\$1,000 deductible)	100,000
Employee Dishonesty	100,000
Forgery or Alteration	100,000
Automobile Liability	1,000,000
Uninsured Motorists (Comprehensive \$100 deductible)	500,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000
Musical Equipment (\$250 deductible)	500,000
Camera Equipment (\$250 deductible)	100,000
Electronic Data Processing (\$250 deductible)	519,000
Valuable Papers (\$250 deductible)	100,000
Miscellaneous School Equipment (\$250 deductible)	500,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from coverage in fiscal 1999.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

10. RISK MANAGEMENT (Continued)

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School 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 Chapter 3309 of the Ohio Revised Code. SERS 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 School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$53,323, \$66,851 and \$74,392, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$26,750 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$209,400, \$184,464 and \$272,856, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$34,408 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective 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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$279,208 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$102,325.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

13. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 255 days for certified and 250 days for classified. Upon retirement, employees receive a payment for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days for certified and 52 days classified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Educational Council.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

13. EMPLOYEE BENEFITS (Continued)

C. Employee Medical Benefits

The School District has contracted with United HealthCare and CIGNA Health Care (employees choice) for medical/surgical benefits and Delta Dental Insurance to provide employee for dental benefits. Rates are set through an annual calculation process. The employees share the cost of the monthly premium with the Board. For fiscal year 2000, the School District's and the employees' premiums are listed below:

<u>Staff</u>	<u>CIGNA HealthCare</u>		<u>United HealthCare</u>		<u>Delta Dental</u>	
	<u>Family</u>	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>	<u>Single</u>
Employee Share	\$163.54	\$73.54	\$124.22	\$55.88	\$16.50	\$1.48
Board Share	392.87	133.27	324.62	110.35	34.16	22.26

14. CAPITAL LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for vehicles, risographs, a copier, and land. The land was paid off in fiscal year 2000. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of vehicles, risographs, and a copier have been capitalized in the general fixed assets account group in the amount of \$38,046. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term debt account group. Principal payments in fiscal year 2000 totaled \$266,680 in the governmental funds

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

<u>Fiscal Year Ending June 30,</u>	<u>GLTDAG</u>
2001	\$10,460
2002	7,871
2003	3,785
2004	1,445
2005	723
Total	24,284
Less: Amount Representing Interest	(5,764)
Present Value of Net Minimum Lease Payments	<u>\$18,520</u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

15. CONTRACT OBLIGATIONS

As of June 30, 2000, the School District had contractual purchase commitments for four projects. The amount for each project is as follows:

<u>Contractor</u>	<u>Fund</u>	<u>Purchase Commitments</u>	<u>Amounts Paid as of 6/30/00</u>	<u>Amounts Remaining on Contracts</u>
K & W Roofing	Building Construction	\$71,721	\$69,181	\$2,540
Schorr and Associates. LTD	Building Construction	75,000	45,800	29,200
Steed Hammond Paul Architects	Building Construction	1,024,144	148,500	875,644
Brush Contractors, Inc.	Building Construction	<u>98,000</u>	<u>34,900</u>	<u>63,100</u>
Totals		<u>\$1,268,865</u>	<u>\$298,381</u>	<u>\$970,484</u>

16. LONG-TERM OBLIGATIONS

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

	<u>Principal Outstanding 6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/00</u>
Construction General Obligation Bonds - 1997	\$75,000	\$0	\$75,000	\$0
School Bus General Obligation Bonds - 1997	107,000	0	34,000	73,000
Energy Conservation Notes - 1993	135,000	0	30,000	105,000
School Improvement Bonds - 2000	0	950,000	0	950,000
School Improvement Long-Term Notes - 2000	0	24,050,000	0	24,050,000
Capital Leases	268,104	17,096	266,680	18,520
Pension Obligation	50,291	58,427	50,291	58,427
Compensated Absences	<u>359,147</u>	<u>98,867</u>	<u>89,445</u>	<u>368,569</u>
Total General Long-Term Obligations	<u>\$994,542</u>	<u>\$25,174,390</u>	<u>\$545,416</u>	<u>\$25,623,516</u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

The 1997 construction general obligation bonds were for a building construction project which matured in December, 1999. The interest rate was 5.75%. The debt was repaid through the bond retirement fund.

In June of 1997, the School District issued \$171,000 in general obligation bonds for the purchase of school buses with an interest rate of 5.28%. The debt was repaid through the bond retirement fund. The total principal and interest debt service requirements on the general obligation bonds to maturity, including \$5,849 interest, are as follows:

Year Ending June 30	General Obligation Bonds
2001	\$39,870
2002	38,979
Total	\$78,849

On July 1, 1993, the School District issued \$289,834 with 5.35% interest, unvoted energy conservation notes for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2003. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations. The total principal and interest debt service requirements on the general obligation bonds to maturity, including \$11,235 interest, are as follows:

Year Ending June 30	Energy Conservation Notes
2001	\$40,617
2002	38,745
2003	36,873
Total	\$116,235

The School District issued School Improvement General Obligation Bonds at 6.4% for \$950,000 on May 1, 2000, and issued School Building Improvement bond anticipation notes at 4.83% for \$24,050,000 on May 11, 2000, as a result of the School District passing a 9.8 mill levy on March 7, 2000. The purpose of the bonds and notes is 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 the acquiring of land.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

The School Improvement bond anticipation notes will mature on December 21, 2000.

Principal and interest debt service requirements on the general obligation bonds to maturity, including \$1,500,747 interest, are as follows:

Year Ending June 30	School Improvement Bonds
2001	\$65,867
2002	65,640
2003	65,320
2004	65,000
2005	64,680
2005-2010	318,600
2011-2015	310,600
2016-2020	302,600
2021-2025	500,200
2026-2029	692,240
Total	\$2,450,747

The School District's overall legal debt margin was \$25,394,567, with an unvoted debt margin of \$558,161 at June 30, 2000. The School District was approved as a special needs district on February 15, 2000 by the Ohio Department of Education, which allowed them to issue the new school improvement bonds and bond anticipation notes. The tax valuation used to determine the legal debt margin was \$558,160,916.

Capital leases will be paid from the general fund. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$271,575	\$9,608	\$281,183
Depreciation Expense	2,250	0	2,250
Operating Income (Loss)	(57,428)	2,937	(54,491)
Donated Commodities	20,771	0	20,771
Operating Grants	43,848	0	43,848
Interest Income	2,259	0	2,259
Net Income	9,450	2,937	12,387
Current Capital Contribution	1,976	0	1,976
Fixed Assets Additions	1,976	0	1,976
Net Working Capital	22,010	10,257	32,267
Total Assets	67,750	11,517	79,267
Long-Term Liabilities paid from Fund Revenues	9,506	0	9,506
Total Equity	28,567	10,257	38,824
Encumbrances Outstanding at June 30, 2000	0	3,329	3,329

18. 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 which services thirteen entities within the boundaries of Licking and Licking Counties. These entities consist of public school districts and educational service centers. 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 superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's fixed assets. Financial statements for LACA can be obtained from their fiscal agent - the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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. The 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 year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2000 was \$490. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

19. INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

20. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

20. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$34,343	\$34,343
Current Year Set-aside Requirement	142,843	142,843	0	285,686
Qualifying Disbursements	<u>(210,118)</u>	<u>(686,352)</u>	<u>0</u>	<u>(896,470)</u>
Totals	<u>(\$67,275)</u>	<u>(\$543,509)</u>	<u>\$34,343</u>	<u>(\$576,441)</u>
Cash Balance Carried Forward to FY 2001	<u>(\$67,275)</u>	<u>(\$543,509)</u>	<u>\$34,343</u>	<u>(\$576,441)</u>
Cash Balance Restricted Assets	<u>\$0</u>	<u>\$0</u>	<u>\$34,343</u>	<u>\$34,343</u>
Bus Allowance				<u>37,316</u>
Total Restricted Assets				<u>\$71,659</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements in future fiscal years. The total reserve balance for the three set-asides and the bus allowance at the end of the fiscal year was \$71,659.

21. 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, 2000.

B. Litigation

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

22. STATE FOUNDATION FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 2000, the School District received \$2,035,665 of school foundation support for its general fund.

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

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

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

23. SUBSEQUENT EVENT

On September 15, 2000, the School District issued School Improvement Bonds, Series 2000 B for \$24,050,000. The purpose of the bonds is to retire the \$24,050,000 School Improvement bond anticipation notes maturing December 21, 2000.

On the February 2001 tax settlement, the School District will begin to receive the tax proceeds from an 8.9 mill bond levy passed by voters on March 7, 2000.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Education
Licking Heights Local School District
Licking County
6539 Summit Road
Summit Station, Ohio 43073

We have audited the general purpose financial statements of the Licking Heights Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated October 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Licking Heights Local School District
Licking County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

October 16, 2000



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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
NOVEMBER 28, 2000**