

LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING COUNTY

SINGLE AUDIT

JULY 1, 2006 - JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Licking Valley Local School District, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Licking Valley Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 22, 2008

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**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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INDEPENDENT AUDITORS' REPORT

Licking Valley Local School District
Licking County
1379 Licking Valley Road Northeast
Newark, Ohio 43055

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Valley Local School District, Licking County, Ohio (the District), as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Valley Local School District, Licking County, Ohio, as of June 30, 2007, and the respective changes in financial position and the budgetary comparison for the General fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Board of Education
Licking Valley Local School District
Independent Auditors' Report

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 28, 2007

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of the financial performance of Licking Valley Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$9,463,090.
- General revenues accounted for \$14,074,434 or 50% of all revenues. Program specific revenues in the form of operating grants and contributions, capital grants and contributions, and charges for services and sales accounted for \$14,044,453 or 50% of total revenues of \$28,118,887.
- The District's major funds included the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund. The General Fund had \$17,049,328 in revenues and other financing sources and \$15,030,872 in expenditures and other financing uses. The General Fund's balance increased \$2,018,456 from the prior fiscal year. The Bond Retirement Fund had \$1,057,904 in revenues and \$1,048,598 in expenditures. The Bond Retirement Fund's balance increased \$9,306 from the prior fiscal year. The Classroom Facilities Fund had \$11,659,917 in revenues and \$20,138,722 in expenditures. The Classroom Facilities Fund's balance decreased \$8,478,805 from the prior fiscal year.
- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.
- The revenue generated from the Classroom Facilities Fund is used to pay for capital improvement projects associated with the District's participation in the Ohio School Facilities Commission program.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund are the only major funds.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

- **Governmental Activities** - All of the District's programs and services are reported here including instruction, support services, non-instructional services, operation of non-instruction services (food service), and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The General Fund, Bond Retirement Fund, and Classroom Facilities Fund are the District's most significant major governmental funds. A description of the financial activities of these major funds can be found on page 3.

Governmental Funds - Most of the District's activities are reported in the governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - The District's only fiduciary fund is for Student Managed activities. The District's fiduciary activities are reported on the statement of fiduciary net assets. We exclude these activities from the District's other financial statements because assets cannot be utilized by the District to finance operations.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006.

**Table 1
Net Assets**

	Governmental Activities	
	2007	2006
<u>Assets:</u>		
Current and Other Assets	\$20,307,119	\$35,626,951
Capital Assets, Net	36,407,452	18,324,359
Total Assets	56,714,571	53,951,310
<u>Liabilities:</u>		
Current and Other Liabilities	8,800,530	14,844,471
Long-Term Liabilities	16,484,542	17,140,430
Total Liabilities	25,285,072	31,984,901
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	21,404,707	1,999,255
Restricted	7,980,778	16,278,769
Unrestricted	2,044,014	3,688,385
Total	\$31,429,499	\$21,966,409

Total assets increased \$2,763,261. The decrease in current and other assets was \$15,319,832. The decrease in current and other assets is a result of corresponding increases in capital outlay for the classroom facilities construction project.

Total liabilities decreased \$6,699,829. Unearned revenue decreased \$8,010,374. The decrease is a result of the classroom facilities construction project. Grant money that has been awarded will be used to finance the fiscal year 2008 classroom facilities construction project.

The changes in the long-term liabilities are a result of a \$655,000 payment on outstanding bonds and a payment of \$53,179 to capital leases.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

**Table 2
Change in Net Assets
Governmental Activities**

	2007	2006
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$ 1,044,682	\$ 1,243,696
Operating Grants and Contributions	1,919,252	1,081,673
Capital Grants and Contributions	11,080,519	10,201,954
Total Program Revenues	14,044,453	12,527,323
General Revenues:		
Property Taxes	4,955,239	4,214,205
Income Taxes	1,935,180	1,729,067
Grants and Entitlements	5,990,239	9,751,450
Interest	875,192	583,200
Miscellaneous	318,584	407,085
Total General Revenues	14,074,434	16,685,007
Total Revenues	28,118,887	29,212,330
<u>Expenses:</u>		
Instruction	9,650,245	9,455,940
Support Services:		
Pupils	500,935	535,315
Instructional Staff	817,642	887,544
Board of Education	546,495	567,103
Administration	1,869,937	1,838,484
Fiscal	417,300	465,196
Business	39,077	32,365
Operation and Maintenance of Plant	1,609,364	1,921,486
Pupil Transportation	1,235,597	1,187,964
Central	140,884	66,235
Operation of Non-Instructional Services	807,393	792,025
Extracurricular Activities	486,852	645,959
Interest and Fiscal Charges	534,076	788,212
Total Expenses	18,655,797	19,183,828
Change in Net Assets	9,463,090	10,028,502
Beginning Net Assets	21,966,409	11,937,907
Ending Net Assets	\$31,429,499	\$21,966,409

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35 annually in taxes. If three years later, the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would be .5 mills and the owner would still pay \$35.

Our District, which is dependent on property taxes and income taxes, is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. Property taxes made up approximately 18 percent of revenues for governmental activities for the District in fiscal year 2007. Income taxes made up approximately 7 percent of revenues for governmental activities for the District in fiscal year 2007.

Over the past several years the District has experienced a significant amount of growth. The District is located in Licking County, and includes all of the Village of Hanover, and portions of Mary Ann, Harrison, Perry, and Hanover Townships. The total assessed values upon which taxes are collected decreased by \$593,719 from fiscal year 2006 to fiscal year 2007.

Instruction comprises approximately 52 percent of governmental program expenses, and support services make up approximately 39 percent of the program expenses of the District.

Capital grants and contributions increased \$878,565. This increase is due to a direct increase in restricted grants from fiscal year 2006 to fiscal year 2007. Property tax revenue increased \$741,034 due to an increase in revenue collected.

Instruction expenses increased \$194,305. This increase is due to moderate step increases in salaries.

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**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2007 to 2006 follows:

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
Instruction	\$ 9,650,245	\$(3,208,347)	\$ 9,455,940	\$ (362,667)
Support Services:				
Pupils	500,935	500,935	535,315	535,315
Instructional Staff	817,642	811,642	887,544	879,544
Board of Education	546,495	546,495	567,103	567,103
Administration	1,869,937	1,869,937	1,838,484	1,757,056
Fiscal	417,300	417,300	465,196	465,196
Business	39,077	39,077	32,365	32,365
Operation and Maintenance of Plant	1,609,364	1,609,364	1,921,486	421,486
Pupil Transportation	1,235,597	1,173,290	1,187,964	1,187,964
Central	140,884	133,862	66,235	56,520
Operation of Non-Instructional Services	807,393	(62,818)	792,025	3,509
Extracurricular Activities	486,852	246,531	645,959	324,902
Interest and Fiscal Charges	534,076	534,076	788,212	788,212
Total Expenses	<u>\$18,655,797</u>	<u>\$ 4,611,344</u>	<u>\$19,183,828</u>	<u>\$6,656,505</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Revenues from capital grants and contributions offset over 100% of instruction activities. This is a result of classifying grants related to the classroom facilities construction projects against the regular instruction expense line item. These grant revenues will be used to construct the new elementary building per the District's agreement with the Ohio School Facilities Commission and are restricted for these purposes. For all governmental activities, support from general revenues is 75 percent of total governmental activities expenses. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$31,920,578 and expenditures and other financing uses of \$38,306,045. The net negative change of \$6,385,467 in fund balance for the year indicates that the District has some difficulty in meeting current costs.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2007, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$15,814,433 while actual expenditures and other financing uses were \$15,264,534. The \$549,899 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Final estimated receipts and other financing sources were \$17,259,815. Final actual receipts and other financing sources were \$16,882,803 which is in line with final estimates.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$36,407,452 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see Note 8 to the basic financial statements.

Debt

At June 30, 2007, the District had \$15,598,028 in outstanding general obligation bonds for building improvements. The District also had \$20,981 and \$88,968 outstanding associated with a note payable and capital leases, respectively.

At June 30, 2007, the District's overall legal debt margin was \$1,482,764 with an un-voted debt margin of \$194,787.

Section 133.06 of the Revised Code provides that, exclusive of certain "exempt debt," the net principal amount of unvoted general obligation debt of a District may not exceed one-tenth (0.10%) of one percent of the total assessed property value listed within the District. Section 133.06 also provides that the net principal amount of voted and unvoted general obligation debt of any District may not exceed nine (9.0%) of the total assessed value, except as in the case of a special needs school district. As the District is in excess of the 9.0% margin, the District requested and obtained consent to become a "special needs" District, thereby permitting the incurrence of additional debt based upon projected 10 year growth of the District's assessed valuation, as permitted by the code.

For further information regarding the District's debt, see Note 13 to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Economic Factors

The District is holding its own in the state of a declining economy and uncertainty in State funding. The District is a small rural community of 9,300 people in a 138 square mile area in Eastern and Northeastern Licking County, Ohio. It has a number of small businesses with agriculture being an important part of the economy.

Over the past several years, the District has remained in a good financial position. In 1988, the District passed a 7.5 mil-continuing levy. This levy provides a continuous source of funds for the financial operations and stability of the District.

The District also passed a 1.0% Continuous Income Tax levy for operating in 1993 and returned 5 mills of the 1988 levy back to the taxpayers. This generates approximately \$1,600,000 additional revenue to be used for operational expenses of the District. The District has operated for 10 years without asking the taxpayers for more operational dollars.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jo Lynn Torbert, Treasurer, Licking Valley Local School District, 1379 Licking Valley Road NE, Newark, Ohio 43055.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 13,878,549
Materials and Supplies Inventory	7,233
Accrued Interest Receivable	5,039
Accounts Receivable	4,247
Intergovernmental Receivable	455,595
Prepaid Items	21,147
Taxes Receivable	4,903,749
Income Taxes Receivable	886,510
Deferred Charges	145,050
Non-Depreciable Capital Assets	21,453,885
Depreciable Capital Assets, net	14,953,567
Total Assets	56,714,571
 LIABILITIES:	
Accounts Payable	75,435
Accrued Wages and Benefits	1,489,969
Contracts Payable	2,103,534
Intergovernmental Payable	420,372
Unearned Revenue	4,711,220
Long-Term Liabilities:	
Due Within One Year	922,384
Due in More Than One Year	15,562,158
Total Liabilities	25,285,072
 NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	21,404,707
Restricted for Debt Service	709,825
Restricted for Capital Projects	6,879,649
Restricted for Other Purposes	391,304
Unrestricted	2,044,014
Total Net Assets	\$ 31,429,499

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$ 8,032,557	\$ 269,714	\$ 278,330	\$ 11,080,519	\$ 3,596,006
Special	1,278,832	-	1,149,047	-	(129,785)
Vocational	285,640	-	80,982	-	(204,658)
Other	53,216	-	-	-	(53,216)
Support Services:					
Pupils	500,935	-	-	-	(500,935)
Instructional Staff	817,642	-	6,000	-	(811,642)
Board of Education	546,495	-	-	-	(546,495)
Administration	1,869,937	-	-	-	(1,869,937)
Fiscal	417,300	-	-	-	(417,300)
Business	39,077	-	-	-	(39,077)
Operation and Maintenance of Plant	1,609,364	-	-	-	(1,609,364)
Pupil Transportation	1,235,597	-	62,307	-	(1,173,290)
Central	140,884	-	7,022	-	(133,862)
Operation of Non-Instructional Services	807,393	534,647	335,564	-	62,818
Extracurricular Activities	486,852	240,321	-	-	(246,531)
Interest and Fiscal Charges	534,076	-	-	-	(534,076)
Total Governmental Activities	\$ 18,655,797	\$ 1,044,682	\$ 1,919,252	\$ 11,080,519	(4,611,344)
 General Revenues:					
Property Taxes Levied for:					
General Purposes					3,993,566
Debt Service					961,673
School District Income Tax					1,935,180
Grants and Entitlements not Restricted to Specific Programs					5,990,239
Investment Earnings					875,192
Miscellaneous					318,584
Total General Revenues					14,074,434
Change in Net Assets					9,463,090
Net Assets Beginning of Year					21,966,409
Net Assets End of Year					\$ 31,429,499

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2007

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 4,055,574	\$ 658,778	\$ 7,236,927	\$ 1,481,569	\$ 13,432,848
Materials and Supplies Inventory	-	-	-	7,233	7,233
Accrued Interest Receivable	5,039	-	-	-	5,039
Accounts Receivable	2,299	-	-	1,948	4,247
Intergovernmental Receivable	-	-	427,414	28,181	455,595
Prepaid Items	21,147	-	-	-	21,147
Taxes Receivable	3,927,082	976,667	-	-	4,903,749
Income Taxes Receivable	886,510	-	-	-	886,510
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	13,282	-	432,419	-	445,701
Total Assets	<u>\$ 8,910,933</u>	<u>\$ 1,635,445</u>	<u>\$ 8,096,760</u>	<u>\$ 1,518,931</u>	<u>\$ 20,162,069</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 56,110	\$ -	\$ -	\$ 19,325	\$ 75,435
Accrued Wages and Benefits	1,431,569	-	-	58,400	1,489,969
Contracts Payable	-	-	2,103,534	-	2,103,534
Intergovernmental Payable	382,027	-	-	38,345	420,372
Deferred Revenue	3,891,081	939,324	222,406	-	5,052,811
Total Liabilities	<u>5,760,787</u>	<u>939,324</u>	<u>2,325,940</u>	<u>116,070</u>	<u>9,142,121</u>
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	118,561	-	-	29,093	147,654
Reserved for Prepaid Items	21,147	-	-	-	21,147
Reserved for Debt Service	-	679,121	-	-	679,121
Reserved for Property Taxes	61,000	17,000	-	-	78,000
Reserved for Textbooks and Instructional Materials	13,282	-	-	-	13,282
Unreserved, Undesignated, Reported in:					
General Fund	2,936,156	-	-	-	2,936,156
Special Revenue Funds	-	-	-	362,211	362,211
Capital Projects Funds	-	-	5,770,820	1,011,557	6,782,377
Total Fund Balances	<u>3,150,146</u>	<u>696,121</u>	<u>5,770,820</u>	<u>1,402,861</u>	<u>11,019,948</u>
Total Liabilities and Fund Balances	<u>\$ 8,910,933</u>	<u>\$ 1,635,445</u>	<u>\$ 8,096,760</u>	<u>\$ 1,518,931</u>	<u>\$ 20,162,069</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances		\$ 11,019,948
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		36,407,452
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Property Taxes Receivable	\$ 102,262		
Intergovernmental Receivable	97,272		
Income Taxes Receivable	142,057		
			341,591

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and are not reported in the funds.		145,050
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

General Obligation Bonds Payable	(14,425,000)		
Bond Premium	(612,846)		
Deep Discount Debt Accretion	(560,182)		
Tractor Note Payable	(20,981)		
Compensated Absences Payable	(776,565)		
Capital Leases Payable	(88,968)		
			(16,484,542)

Net Assets of Governmental Activities		\$ <u>31,429,499</u>
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See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 3,924,119	\$ 953,013	\$ -	\$ -	\$ 4,877,132
Income Tax	1,921,311	-	-	-	1,921,311
Intergovernmental	9,817,299	104,891	10,983,247	1,061,092	21,966,529
Interest	246,500	-	572,177	56,515	875,192
Tuition and Fees	220,114	-	-	-	220,114
Extracurricular Activities	-	-	-	322,752	322,752
Customer Sales and Services	-	-	-	501,816	501,816
Miscellaneous	90,987	-	104,493	123,104	318,584
Total Revenues	<u>16,220,330</u>	<u>1,057,904</u>	<u>11,659,917</u>	<u>2,065,279</u>	<u>31,003,430</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,604,301	-	-	111,856	6,716,157
Special	886,947	-	-	386,592	1,273,539
Vocational	280,224	-	-	-	280,224
Other	53,216	-	-	-	53,216
Support Services:					
Pupils	450,980	-	-	48,168	499,148
Instructional Staff	709,169	-	-	63,368	772,537
Board of Education	528,065	-	-	-	528,065
Administration	1,625,689	-	-	193,874	1,819,563
Fiscal	417,845	-	-	-	417,845
Business	37,996	-	-	-	37,996
Operation and Maintenance of Plant	1,580,199	-	18,430	-	1,598,629
Pupil Transportation	1,128,974	-	-	-	1,128,974
Central	131,850	-	-	7,022	138,872
Operation of Non-Instructional Services	-	-	-	803,767	803,767
Extracurricular Activities	218,560	-	-	236,327	454,887
Capital Outlay	14,190	-	20,120,292	236,879	20,371,361
Debt Service:					
Principal	188,179	520,000	-	-	708,179
Interest	86,338	528,598	-	-	614,936
Total Expenditures	<u>14,942,722</u>	<u>1,048,598</u>	<u>20,138,722</u>	<u>2,087,853</u>	<u>38,217,895</u>
Excess of Revenues Over (Under) Expenditures	<u>1,277,608</u>	<u>9,306</u>	<u>(8,478,805)</u>	<u>(22,574)</u>	<u>(7,214,465)</u>
OTHER FINANCING SOURCES AND (USES):					
Transfers In	-	-	-	88,150	88,150
Sale of Capital Assets	808,017	-	-	-	808,017
Sale of Note	20,981	-	-	-	20,981
Transfers Out	(88,150)	-	-	-	(88,150)
Total Other Financing Sources and (Uses)	<u>740,848</u>	<u>-</u>	<u>-</u>	<u>88,150</u>	<u>828,998</u>
Net Change in Fund Balances	2,018,456	9,306	(8,478,805)	65,576	(6,385,467)
Fund Balance at Beginning of Year	1,131,690	686,815	14,249,625	1,337,285	17,405,415
Fund Balance at End of Year	<u>\$ 3,150,146</u>	<u>\$ 696,121</u>	<u>\$ 5,770,820</u>	<u>\$ 1,402,861</u>	<u>\$ 11,019,948</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ (6,385,467)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their limited useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	\$ 20,398,218	
Depreciation	(919,222)	
		19,478,996

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Proceeds from the Sale of Capital Assets	(808,017)	
Loss on Disposal of Capital Assets	(587,886)	
		(1,395,903)

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

Property Taxes	78,107	
Intergovernmental	(2,976,519)	
Income Taxes	13,869	
Total		(2,884,543)

Note proceeds provide current financial resources to governmental funds and increases long-term liabilities in the statement of net assets

Tractor Note Payable	(20,981)	
		(20,981)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 708,179

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds. 80,860

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	(118,051)	
		(118,051)

Change in Net Assets of Governmental Activities		\$ 9,463,090

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP) BASIS AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 3,731,294	\$ 3,875,000	\$ 3,879,961	\$ 4,961
Income Tax	1,781,382	1,850,000	1,798,781	(51,219)
Intergovernmental	9,481,729	9,847,000	9,817,299	(29,701)
Interest	249,600	250,000	247,459	(2,541)
Tuition and Fees	219,000	219,000	219,852	852
Miscellaneous	100,000	100,000	90,453	(9,547)
Total Revenues	<u>15,563,005</u>	<u>16,141,000</u>	<u>16,053,805</u>	<u>(87,195)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,704,025	6,704,433	6,731,227	(26,794)
Special	850,000	850,000	815,764	34,236
Vocational	300,000	300,000	289,640	10,360
Other	75,000	75,000	55,102	19,898
Support Services:				
Pupils	500,000	500,000	460,957	39,043
Instructional Staff	750,000	750,000	749,267	733
Board of Education	575,000	575,000	540,247	34,753
Administration	1,700,000	1,700,000	1,643,051	56,949
Fiscal	500,000	500,000	425,410	74,590
Business	30,000	50,000	38,057	11,943
Operation and Maintenance of Plant	1,700,000	1,700,000	1,707,564	(7,564)
Pupil Transportation	1,229,000	1,250,000	1,151,621	98,379
Central	175,000	175,000	128,906	46,094
Extracurricular Activities	250,000	250,000	202,559	47,441
Capital Outlay	100,000	100,000	15,674	84,326
Debt Service:				
Principal	135,000	135,000	135,000	-
Interest	100,000	100,000	86,338	13,662
Total Expenditures	<u>15,673,025</u>	<u>15,714,433</u>	<u>15,176,384</u>	<u>538,049</u>
Excess of Revenues Over (Under) Expenditures	<u>(110,020)</u>	<u>426,567</u>	<u>877,421</u>	<u>450,854</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers In	318,815	318,815	-	(318,815)
Sale of Note	-	-	20,981	20,981
Sale of Capital Assets	800,000	800,000	808,017	8,017
Transfers Out	(100,000)	(100,000)	(88,150)	11,850
Total Other Financing Sources and (Uses)	<u>1,018,815</u>	<u>1,018,815</u>	<u>740,848</u>	<u>(277,967)</u>
Net Change in Fund Balance	908,795	1,445,382	1,618,269	172,887
Fund Balance at Beginning of Year	2,108,880	2,108,880	2,108,880	-
Prior Year Encumbrances Appropriated	167,035	167,035	167,035	-
Fund Balance at End of Year	<u>\$ 3,184,710</u>	<u>\$ 3,721,297</u>	<u>\$ 3,894,184</u>	<u>\$ 172,887</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2007**

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 73,673
Total Assets	<u>\$ 73,673</u>
LIABILITIES:	
Current Liabilities:	
Undistributed Monies	\$ 73,673
Total Liabilities	<u>\$ 73,673</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 138 square miles. It is located in Licking County, and includes the Village of Hanover and portions of Mary Ann, Perry, Harrison and Hanover Townships. The District is the 260th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 102 non-certificated employees and 159 certificated full-time teaching personnel who provide services to 2,062 students and other community members. The District currently operates 6 instructional buildings.

Reporting Entity:

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with six organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Licking County Vocational School, the Central Ohio Special Education Regional Resource Center, the Metropolitan Education Council, the School Study Council of Ohio, the Coalition for Equity & Adequacy of School Funding, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The District, however, has no business-type activities.

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

Fund Financial Statements

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund are the District's major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Classroom Facilities Fund - The School Construction Fund is used account for the revenues and expenditures related to the construction of new school buildings.

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

Fiduciary Funds

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

Proprietary Fund Types

Proprietary fund type reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The District has no proprietary funds.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, investment earnings, tuition, and student fees.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level. Any budgetary modifications at this level may only be made by the Board of Education.

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Allocation of cost, such as depreciation, is not recognized in governmental funds.

F. Cash and Cash Equivalents

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

During fiscal year 2007, investments were limited to STAR Ohio and a cash management account.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$246,500, \$572,177 to the Classroom Facilities Fund and \$56,515 to other governmental funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. At fiscal year end, because prepaid items are not available to finance future governmental fund expenditures, the fund balance is reserved in the fund financial statements by an amount equal to the carrying value of the asset.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased. Inventories of governmental funds consist of consumable supplies.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amounts required by state statute to be set-aside to create a reserve for the purchase of textbooks and instructional materials and amounts restricted for retainage related to the Ohio School Facilities Construction project. See Note 15 for more details related to the set-aside reserves.

J. Capital Assets

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	15 - 30 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets.

L. 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 District will compensate the employees for benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on the accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, long-term notes, and capital leases are recognized as a liability on the governmental fund financial statements when due.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2007, the District did not have net assets restricted by enabling legislation.

O. Fund Balance Reserves

The 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 property taxes, textbooks and instructional materials, prepaid items, encumbrances, and debt service.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles accepted in the United States of America but not available for appropriation under State statute.

P. Interfund Transactions

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

Q. Estimates

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence.

S. Bond Premiums, Bond Discounts and Issuance Costs

In the Government-wide financial statements, bond premiums and discounts are deferred and amortized over the terms of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are deferred charges and amortized over the term of the related debt.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

3. BUDGETARY BASIS OF ACCOUNTING

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

3. BUDGETARY BASIS OF ACCOUNTING - CONTINUED

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

Net Change in Fund Balance General Fund	
GAAP Basis	\$2,018,456
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2006, Received In Cash FY 2007	763,324
Accrued FY 2007, Not Yet Received in Cash	(929,849)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(1,907,550)
Accrued FY 20067, Not Yet Paid in Cash	1,848,559
Encumbrances Outstanding at Year End (Budget Basis)	(174,671)
Budget Basis	\$1,618,269

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

4. DEPOSITS AND INVESTMENTS - CONTINUED

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality, of such county, municipal corporation, or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year-end the carrying amount of the District's deposits was \$338,765 and the bank balance of \$568,732. Federal depository insurance covered \$100,000 of the bank balance and \$468,732 was uninsured.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

4. DEPOSITS AND INVESTMENTS - CONTINUED

Restricted Cash

At fiscal year-end, the District had \$432,419 in a depository account for retainage obligations related to construction projects undertaken by the District as part of the District's participation in the Ohio School Facilities Construction project. The balance in this depository account is included in the amount of "deposits" reported by the District.

Investments

As of June 30, 2007, the District had the following investments.

	Carrying and Fair Value	Investment Maturities (in Years) Less than 1
Cash Management Account	\$12,965,989	\$12,965,989
STAR Ohio	647,468	647,468
Total Investments	\$13,613,457	\$13,613,457

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. The cash management account is a high-yield savings account.

Credit Risk - STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time.

The following is a reconciliation of cash, cash equivalents and investments to the Statement of Net Assets as of June 30, 2007:

Investments (summarized above)	\$13,613,457
Carrying amount of District's deposits	338,765
Less: Fiduciary Funds – Cash and Cash Equivalents	(73,673)
Total Governmental Activities – Cash and Investments	\$13,878,549

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory.

The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2006 was 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.5 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20, Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The District receives property taxes from Licking County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

5 - PROPERTY TAXES - CONTINUED

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2007, was \$61,000 in the General Fund and \$17,000 in the Bond Retirement Fund.

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

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$170,122,790	87%	\$175,023,780	90%
Public Utility	13,149,300	7%	13,340,790	7%
Tangible Personal Property	12,108,209	6%	6,422,010	3%
Total Assessed Value	<u>\$195,380,299</u>	<u>100%</u>	<u>\$194,786,580</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$39.30		\$39.27	

6. INCOME TAX

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

7. RECEIVABLES

Receivables at June 30, 2007, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Food Service	\$28,181
Classroom Facilities	427,414
Total Governmental Activities	<u>\$455,595</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 7/01/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 215,282	\$ -	\$(154,000)	\$ 61,282
Construction in Progress	1,021,242	20,371,361	-	21,392,603
Total Nondepreciable Capital Assets	<u>1,236,524</u>	<u>20,371,361</u>	<u>(154,000)</u>	<u>21,453,885</u>
Depreciable Capital Assets				
Land Improvements	1,897,498	-	(72,714)	1,824,784
Buildings and Building Improvements	21,633,572	-	(2,729,979)	18,903,593
Furniture, Fixtures, and Equipment	1,091,606	-	-	1,091,606
Vehicles	1,857,073	26,857	(3,200)	1,880,730
Total Depreciable Capital Assets	<u>26,479,749</u>	<u>26,857</u>	<u>(2,805,893)</u>	<u>23,700,713</u>
Less Accumulated Depreciation				
Land Improvements	(877,905)	(73,228)	59,181	(891,952)
Buildings and Building Improvements	(6,305,561)	(645,085)	1,501,609	(5,449,037)
Furniture, Fixtures, and Equipment	(651,228)	(100,551)	-	(751,779)
Vehicles	(1,557,220)	(100,358)	3,200	(1,654,378)
Total Accumulated Depreciation	<u>(9,391,914)</u>	<u>(919,222)</u>	<u>1,563,990</u>	<u>(8,747,146)</u>
Depreciable Capital Assets, Net	<u>17,087,835</u>	<u>(892,365)</u>	<u>(1,241,903)</u>	<u>14,953,567</u>
Governmental Activities Capital Assets, Net	<u>\$18,324,359</u>	<u>\$19,478,996</u>	<u>\$ 1,395,903</u>	<u>\$36,407,452</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$704,094
Vocational	682
Support Services:	
Instruction Staff	41,902
Board of Education	18,430
Administration	13,590
Business	1,081
Operation and Maintenance of Plant	762
Pupil Transportation	100,358
Operations of Non-Instruction	6,358
Extracurricular	31,965
Total Depreciation Expense	<u>\$919,222</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	\$1,000	\$45,983,135
Automobile Liability	1,000	1,000,000
Uninsured Motorists	1,000	1,000,000
General Liability	0	
Per occurrence	0	1,000,000
Per year	0	3,000,000

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

For fiscal year 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the 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.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

10. DEFINED BENEFIT PENSION PLANS - CONTINUED

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 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 statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$431,570, \$424,448, and \$426,370, respectively; 55 percent has been contributed for 2007 and 100 percent for fiscal years 2006 and 2005. The unpaid contribution for fiscal year 2007 is \$196,080.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

10. DEFINED BENEFIT PENSION PLANS - CONTINUED

For the fiscal year ended June 30, 2007, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,132,501, \$1,113,573, and \$1,090,568, respectively, which were equal to the required contributions for each year.

11. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certificated 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 System based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB Plan or the Combined Plan are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio has 119,184 eligible benefit recipients.

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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for the 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, 2007, employer contributions to health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

11. POSTEMPLOYMENT BENEFITS - CONTINUED

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the assets target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants receiving health care benefits.

12. 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 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and the superintendent 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 280 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 51 days for all employees.

Employees receive 3 personal days per year. Upon retirement, payment is made for one-fourth of accrued, but unused personal leave.

Bargaining unit members, who retire under STRS criteria, may receive a retirement incentive payment of fifteen thousand dollars (\$15,000). In order to qualify for this benefit, the bargaining unit member must give written notice to the Superintendent on or before April 1 (or Monday following if April 1 is on a weekend) of the year of retirement and have 30 or fewer years.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through American United Life.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

13. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2007 were as follows:

	(Restated) Balance at 07/01/06	Additions	Deductions	Balance at 06/30/07	Amounts Due in One Year
Building Construction Bonds	\$ 3,915,000	\$ -	\$ (450,000)	\$ 3,465,000	\$470,000
Building Construction Capital Appreciation Bonds	158,436	-	(158,436)	-	-
School Facilities Construction	2,330,000	-	(135,000)	2,195,000	140,000
General Obligation Advance Refunding Bonds	8,835,000	-	(70,000)	8,765,000	75,000
Capital Appreciation Bonds	457,761	102,421	-	560,182	-
Serial Bond Premium	637,691	-	(24,845)	612,846	-
Note Payable for Tractor	-	20,981	-	20,981	6,994
Capital Leases	142,147	-	(53,179)	88,968	57,266
Compensated Absences	664,395	776,565	(664,395)	776,565	173,124
Total long term Obligations	<u>\$17,140,430</u>	<u>\$899,967</u>	<u>\$(1,555,855)</u>	<u>\$16,484,542</u>	<u>\$922,384</u>

The Building Construction Bonds are dated 4/1/99 and issued in the amount of \$16,360,000 with stated interest rate of 3.8% to 5% and a final maturity date of 12/01/25. These bonds are retired from the Bond Retirement Fund

The School Facilities Construction Bonds are dated 10/5/04 and issued in the amount of \$2,700,000 with stated interest rate of 2% to 5% and a final maturity date of 12/01/19. These bonds were unvoted general obligation bonds and are paid from the District's General Fund.

General Obligation Advance Refunding Bonds are dated 9/22/05 and consist of serial and capital appreciation bonds. The serial bonds were issued with varying interest rates of 3.0-4.10%. The District received \$9,334,989 in serial and capital appreciation bond proceeds and have a final maturity date of 12/01/25. The capital appreciation bonds will mature on December 1, 2015 and 2016. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. The maturity amount of these bonds is \$1,475,000. These bonds are retired from the Bond Retirement Fund.

The General Obligation Advance Refunding Bonds were issued to refund a portion of the 1999 Building Construction Bonds. This refunding was undertaken to take advantage of lower interest rates. The total debt service payments were reduced by \$1,391,633 and the present value of this reduction resulted in an economic gain of \$963,949.

The note payable for a tractor with loader was issued on October 24, 2006. The note was issued with a zero percent interest rate. The note matures in October 2009 and will be paid from the General Fund.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

13. LONG-TERM OBLIGATIONS

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

The District's voted legal debt margin was \$1,482,764 with an unvoted debt margin of \$194,787 at June 30, 2007.

Section 133.06 of the Revised Code provides that, exclusive of certain "exempt debt," the net principal amount of unvoted general obligation debt of a District may not exceed one-tenth (0.10%) of one percent of the total assessed property value listed within the District. Section 133.06 also provides that the net principal amount of voted and unvoted general obligation debt of any District may not exceed nine (9.0%) of the total assessed value, except as in the case of a special needs school district. As the District is in excess of the 9.0% margin, the District requested and obtained consent to become a "special needs" District, thereby permitting the incurrence of additional debt based upon projected 10 year growth of the District's assessed valuation, as permitted by the code.

Principal and interest requirements to retire general obligation debt, including the outstanding note payable at June 30, 2007, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2008	\$ 691,994	\$ 600,023	\$ 1,292,017
2009	691,994	574,752	1,266,746
2010	721,993	547,610	1,269,603
2011	740,000	518,284	1,258,284
2012	770,000	486,998	1,256,998
2013 – 2017	3,254,989	3,053,467	6,308,456
2018 – 2022	4,615,000	1,225,775	5,840,775
2023 – 2026	3,805,000	315,635	4,120,635
Total	<u>\$15,290,970</u>	<u>\$7,322,544</u>	<u>\$22,613,514</u>

14. CAPITAL LEASES - LESSEE DISCLOSURE

The District has entered into capitalized leases for copiers and stadium bleachers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the General Fund. These expenditures are reported as capital outlay expenditures on the budgetary statements.

Capital assets consisting of copy machines and stadium bleachers have been capitalized in the amount of \$723,136. The capitalized amount of the leases represents the present value of the minimum lease payment at the time of acquisition. A corresponding liability is recorded in the statement of net assets. Principal payments in fiscal year 2007 totaled \$53,179 as paid by the General Fund.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

14. CAPITAL LEASES - LESSEE DISCLOSURE - CONTINUED

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, 2007.

<u>Fiscal Year Ending June 30,</u>	<u>Pitney Bowes</u>	<u>Danka Copiers</u>
2008	\$4,023	\$69,352
2009	4,023	12,652
2010	4,023	-
2011	2,215	-
Amount Representing Interest	(3,954)	(3,366)
Present Value of Net Minimum Lease Payments	<u>\$10,330</u>	<u>\$78,638</u>

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

The 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 following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute. The District did not meet the spending requirement for the Textbook Reserve and the excess is therefore presented as restricted cash and cash equivalents on the financial statements. The District had qualifying off-sets during the year that reduced the set-aside amount below zero for the capital acquisition reserve. This negative amount is therefore presented as being carried forward to the next fiscal year, based on the issuance of capital related debt of \$2,700,000 during fiscal year 2006.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2006	\$ 81,338	\$(2,547,733)	\$(2,466,395)
Current Year Set-aside Requirement	318,855	318,855	637,710
Current Year Offsets	-	(758,815)	(758,815)
Qualifying Disbursements	(386,911)	-	(386,911)
Total	<u>\$ 13,282</u>	<u>\$(2,987,693)</u>	<u>\$(2,974,411)</u>
Cash Balance Carried Forward to FY 2008	<u>\$ 13,282</u>	<u>\$(2,987,693)</u>	<u>\$(2,974,411)</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

16. JOINTLY GOVERNED ORGANIZATIONS

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

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

Metropolitan Education Council - The District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's membership payment to MEC for fiscal year 2007 was \$785. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio, 43232.

School Study Council of Ohio - The District participates in the School Study Council of Ohio (SSCO), a jointly governed organization. The organization is a non-profit consortium of school districts, educational service centers, colleges of education, and related educational schools and agencies. It is owned and governed by the member organizations with a Board of Trustees representing member organizations. SSCO helps each member organization to achieve its mission through the provision of client centered services including professional development, funding and related resource acquisition, research, and leadership development. Financial information may be obtained from the School Study Council of Ohio, Carmella C. Ross, who serves as Treasurer, 2080 Citygate Drive, Columbus, Ohio 43219.

Coalition for Equity & Adequacy of School Funding - The District participates in the Coalition for Equity & Adequacy of School Funding, a jointly governed organization. The Ohio Coalition for Equity & Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The mission of the Coalition is to secure high quality educational opportunities for all Ohio school children without diminishing opportunities for students who reside in high capacity districts. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members and administrators also serve. Several persons serve as *ex officio* members. Steering Committee members serve without stipend or expense reimbursement from the Coalition. Financial information may be obtained from the Coalition for Equity & Adequacy of School Funding, 100 South Third Street, Columbus, Ohio 43215, by calling (614) 228-6540, or email to ohioeanda@sbcglobal.net.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

17. INSURANCE PURCHASING POOL

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

The intent of the GRP is to achieve the benefit of a reduced premium for the 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.

18. CONTINGENCIES

A. Grants

The 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 are 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 District at June 30, 2007.

B. Litigation

There are currently no matters in litigation with the District as defendant.

19. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to Other Governmental funds from:	
General Fund	\$88,150
Total Transfers	<u>\$88,150</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007**

19. INTERFUND TRANSACTIONS - CONTINUED

Transfers to All Other Governmental Funds from the General Fund is to fund the District's locally funded initiative for the classroom facilities construction project and to prevent negative fund balances at fiscal year end.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

20. CONTRACTUAL COMMITMENTS

As of June 30, 2007, the District had the following contractual purchase commitments:

Company	Amount Remaining
Cannell Blueprint	\$ 61,175
BBC & M Engineering, Inc	8,789
Gandee & Assoc	1,262
Newspaper Network	2,758
Lepi Enterprises	10,130
Claggett & Sons Inc	1,625,411
Claypool Electric	1,137,444
Gutridge Plumbing Inc	36,022
Houston Plumbing Inc	471,596
Lewis R. Polster Co	207,606
Fire Protection Inc	40,653
Robertson Construction	805,625
Settle Muter Electric	147,819
George J. Ingel & Co	77,987
Wachtel & Mcanally	208,896
Professional Service	755
Resource International	37,843
American Electric Power	7,900
Microman Inc	42,567
Wenger Corporation	24,649
Zimmerman School Equipment	8,827
Continental Office	330,752
Tom Sexton & Associates	283,130
Producers Gas Sales	12,059
Total	\$5,591,655

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass thru Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$ -	\$ 83,537	\$ -	\$ 83,537
<i>Child Nutrition Cluster:</i>						
National School Breakfast Program	05-PU-06, 07	10.553	35,114	-	35,114	-
National School Lunch Program	LL-P4-06, 07	10.555	<u>180,851</u>	<u>-</u>	<u>180,851</u>	<u>-</u>
<i>Total Child Nutrition Cluster</i>			<u>215,965</u>	<u>-</u>	<u>215,965</u>	<u>-</u>
Total U.S. Department of Agricultur			<u>215,965</u>	<u>83,537</u>	<u>215,965</u>	<u>83,537</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education-Grants to States	6B-SF-07	84.027	424,739	-	410,851	-
Special Education-Preschool Grants	N/A	84.173	<u>-</u>	<u>9,100</u>	<u>-</u>	<u>9,100</u>
<i>Total Special Education Cluster</i>			<u>424,739</u>	<u>9,100</u>	<u>410,851</u>	<u>9,100</u>
Title I Grants to Local Educational Agencies	C1-S1-07	84.010	143,639	-	143,639	-
Safe and Drug Free Schools and Communities-State Grants	DR-S1-07	84.186	5,881	-	5,881	-
State Grants for Innovative Programs	C2-S1-07	84.298	2,892	-	2,892	-
Education Technology State Grants	TJ-S1-07	84.318	1,494	-	1,494	-
Improving Teacher Quality State Grants	TR-S1-06, 07	84.367	<u>68,307</u>	<u>-</u>	<u>68,307</u>	<u>-</u>
Total U.S. Department of Educatioi			<u>646,952</u>	<u>9,100</u>	<u>633,064</u>	<u>9,100</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 862,917</u>	<u>\$ 92,637</u>	<u>\$ 849,029</u>	<u>\$ 92,637</u>

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the accompanying Schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture.

NOTE C – NON-CASH AWARDS

The District had the following federal receipts and disbursements which were received and disbursed by the Licking County Educational Service Center on behalf of the District for fiscal year 2007:

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Non-Cash Receipts</u>	<u>Non-Cash Disbursements</u>
Special Education-Preschool Grants	84.173	\$ 9,100	\$ 9,100



Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Valley Local School District, Licking County, Ohio (the District) as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Licking Valley Local School District
Licking County
Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiency described above, we consider item 2007-001 to be a material weakness.

Compliance and Other Matters

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

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

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 28, 2007



**Report on Compliance with Requirements Applicable to Its Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the Licking Valley Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2007. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Licking Valley Local School District, Licking County, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Licking Valley Local School District
Licking County
Report on Compliance with Requirements Applicable to
Its Major Program and on Internal Control over Compliance
in Accordance with *OMB Circular A-133*
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A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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

Wilson, Sherman & Sons, Inc.

Newark, Ohio
December 28, 2007

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for each major federal program?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in its internal control for each major federal program?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program (list):	Special Education Cluster\CFDA #84.027 and CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

JUNE 30, 2007

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

Finding Number	2007-001
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The compilation and presentation of the financial statements and the related footnotes is the responsibility of management. This responsibility remains intact if management decides to outsource this function for efficiency purposes or any other reason. It is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and notes prior to audit. It is also important to note that independent auditors are not part of the entity's internal control structure and should not be relied upon by management to detect misstatements.

As a result of our audit, we identified significant audit adjustments associated with reporting intergovernmental receivables, capital assets, long-term debt, and net assets. We provided adjustments to management who subsequently corrected the misstatements. The misstatements are an indicator that the District does not have sufficient internal control procedures in place related to financial reporting.

We recommend the District develop and continue to monitor internal control procedures associated with the drafting and preparation of the financial statements and footnotes in order to enable management to identify, prevent, detect, and correct potential misstatement in the financial statements and footnotes. In addition, while developing these procedures management should reduce its reliability on the District's auditors to perform this internal control procedures as auditors must remain independent.

Official's Response:

The District contracts an accountant to prepare draft financial statements on a GAAP basis with the draft statements to be provided to the Treasurer before November 30, 2007 so that the Treasurer has time to review the statements prior to the audit of the financial statements. Due to delays in the Treasurer receiving the draft statements and the timing of the audit, the Treasurer did not have the opportunity to perform an effective review which may have identified areas where adjustments were necessary prior to the audit commencing. The District will develop procedures to determine the Treasurer is provided sufficient time to review the statements in conjunction with the audit being completed in a timely manner.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2008**