



Mary Taylor, CPA
Auditor of State

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2009, 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 Heights Local School District, Licking County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 1, 2010

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

The discussion and analysis of the Licking Heights Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets increased \$722,152 from fiscal year 2008.
- Total assets of governmental activities increased \$117,888. Of this, current assets increased \$1,387,594 due primarily to property tax revenue and grants and entitlements. In addition, capital assets decreased \$1,269,706 due to depreciation of \$1,767,686, offset by additions of capital assets of \$497,980.
- General revenues accounted for \$29,531,044. Program specific revenues in the form of Charges for Services and Sales, Operating Grants, Contributions and Interest accounted for \$2,995,907 of total revenues of \$32,526,951.
- The School District had \$31,804,799 in expenses related to governmental activities; only \$2,995,907 of these expenses were offset by program specific charges for services, sales, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$29,531,044 were adequate to provide for these programs.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Debt Service Fund.

Governmental Funds

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

Fiduciary Funds

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal year 2009 compared to fiscal year 2008:

Table 1 Net Assets			
	Governmental Activities		Increase (Decrease)
	2009	2008	
<u>Assets:</u>			
Current Assets	\$42,976,897	\$41,589,303	\$1,387,594
Capital Assets	60,324,375	61,594,081	(1,269,706)
<i>Total Assets</i>	103,301,272	103,183,384	117,888
<u>Liabilities:</u>			
Other Liabilities	16,491,893	15,784,609	707,284
Long-Term Liabilities	61,851,917	63,163,465	(1,311,548)
<i>Total Liabilities</i>	78,343,810	78,948,074	(604,264)
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	3,057,501	1,997,331	1,060,170
Restricted	4,591,352	5,153,892	(562,540)
Unrestricted	17,308,609	17,084,087	224,522
<i>Total Net Assets</i>	\$24,957,462	\$24,235,310	\$722,152

Current assets of governmental activities increased by \$1,387,594 while capital assets decreased by \$1,269,706. Current assets increased due to property taxes receivable relating to the first full year of collections on the May 2007 levy and State foundation relating to a large increase in student enrollment. Capital assets decreased primarily due to the current year's depreciation expense. The decrease in long-term liabilities is primarily due to debt payments made during fiscal year 2009. The increase in other liabilities is due to an increase in salaries and related benefits due to staffing increases. Invested in capital assets, net of related debt increased \$1,060,170 due to a reduction in outstanding debt.

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

Table 2
Changes in Net Assets

	Governmental Activities		Increase
	2009	2008	(Decrease)
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$1,232,146	\$1,175,545	\$56,601
Operating Grants, Contributions and Interest	1,763,761	1,834,557	(70,796)
Capital Grants and Contributions	0	14,268	(14,268)
Total Program Revenues	2,995,907	3,024,370	(28,463)
General Revenues:			
Property Taxes	18,135,645	16,227,327	1,908,318
Revenue in Lieu of Taxes	0	833	(833)
Grants and Entitlements not Restricted to			
Specific Programs	10,430,939	9,052,274	1,378,665
Investment Earnings	836,497	960,074	(123,577)
Miscellaneous	127,963	156,073	(28,110)
Total General Revenues	29,531,044	26,396,581	3,134,463
Total Revenues	32,526,951	29,420,951	3,106,000
<u>Program Expenses:</u>			
Instruction:			
Regular	12,542,464	10,942,840	1,599,624
Special	2,995,941	2,476,493	519,448
Vocational	312,110	176,494	135,616
Student Intervention Services	276,365	321,372	(45,007)
Support Services:			
Pupils	1,135,645	1,119,606	16,039
Instructional Staff	1,247,908	977,068	270,840
Board of Education	134,291	73,888	60,403
Administration	2,145,175	2,037,878	107,297
Fiscal	621,954	560,349	61,605
Operation and Maintenance of Plant	3,200,323	3,268,733	(68,410)
Pupil Transportation	2,268,677	2,073,998	194,679
Central	213,641	225,636	(11,995)
Operation of Non-Instructional Services:			
Food Services	1,265,361	1,191,332	74,029
Extracurricular Activities	530,371	508,020	22,351
Interest and Fiscal Charges	2,914,573	2,910,173	4,400
Total Expenses	31,804,799	28,863,880	2,940,919
Change in Net Assets	722,152	557,071	165,081
Net Assets at Beginning of Year	24,235,310	23,678,239	557,071
Net Assets at End of Year	\$24,957,462	\$24,235,310	\$722,152

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

Governmental Activities

General revenues accounted for \$29,531,044 of all revenues. Program specific revenues in the form of Charges for Services and Sales and Operating Grants, Contributions and Interest accounted for \$2,995,907 of total revenues of \$32,526,951.

Grants and entitlements not restricted to specific programs made up \$10,430,939 of total revenues for governmental activities of the School District. This revenue line increased \$1,378,665 due to an increase in State foundation payments due to a large increase in student enrollment.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for School District operations. Property taxes made up \$18,135,645 of revenues for governmental activities for the School District for fiscal year 2009. The increase in property taxes is due to fiscal year 2009 being the first full year of collections relating to the passage of an emergency operating levy in May, 2007.

Instruction comprises \$16,126,880 of School District expenses. Support Services make up \$10,967,614 of the total expenses. In fiscal year 2009, Instruction costs increased \$2,209,681 and Support Services costs increased \$630,458 from the prior fiscal year. The increase was due, in part, to staffing increases and the related benefits, a workers' compensation rate increase, and the purchase of new technology and instructional materials.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$32,679,457 and total expenditures of \$31,830,497. The net change in fund balances for the fiscal year in the General Fund and Debt Service Fund were \$950,921 and \$408,309, respectively.

The increase in the General Fund was due to an increase in property tax revenues and State funding due to the increase in student enrollment for fiscal year 2009.

The increase in fund balance in the Debt Service Fund was due to an increase in property tax revenues while the principal and interest payments decreased slightly from fiscal year 2008.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the original budget basis revenue estimate was \$24,035,910, with a final budget basis revenue estimate of \$25,235,813. The difference of \$1,199,903 was mainly due to an under estimation of State foundation payments due to a larger than expected increase in student enrollment.

Original budget basis appropriations were \$21,778,925, with final budget basis appropriations of \$24,778,241. The difference of \$2,999,316 was due primarily to the original appropriations being based upon the prior fiscal year's actual expenditures.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

The School District's ending unobligated cash balance was \$561,301 below the final budgeted amount.

Capital Assets

At fiscal year-end, the School District had \$60,324,375 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. This is a \$1,269,706 decrease from \$61,594,081 for fiscal year 2008. This decrease is due to current year depreciation exceeding current year additions.

See Note 9 to the basic financial statements for more detailed information.

Debt Administration

At June 30, 2009, the School District had \$60,807,364 in total outstanding debt consisting of general obligation bonds and capital leases. This figure includes accretion on capital appreciation bonds and unamortized premiums and gains/losses on refundings. At June 30, 2009, the School District's overall legal debt margin was (\$6,588,674) and the unvoted debt margin was \$4,167,712. For more information on debt administration, refer to Note 15 of the notes to the basic financial statements.

Contacting the School District's Financial Management

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,653,311
Cash and Cash Equivalents With Fiscal Agent	6,914
Materials and Supplies Inventory	21,052
Accrued Interest Receivable	11,060
Accounts Receivable	6,171
Intergovernmental Receivable	54,662
Property Taxes Receivable	18,913,160
Revenue in Lieu of Taxes Receivable	15,543,888
Deferred Charges	766,679
Capital Assets:	
Land	1,821,947
Depreciable Capital Assets, Net	58,502,428
	103,301,272
<i>Total Assets</i>	
<u>Liabilities:</u>	
Accounts Payable	19,279
Accrued Wages and Benefits Payable	2,288,885
Intergovernmental Payable	719,101
Matured Bond Payable	5,000
Matured Interest Payable	1,914
Accrued Interest Payable	212,908
Deferred Revenue	13,244,806
Long-Term Liabilities:	
Due Within One Year	2,351,504
Due In More Than One Year	59,500,413
	78,343,810
<i>Total Liabilities</i>	
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	3,057,501
Restricted for:	
Debt Service	2,708,443
Capital Projects	1,834,769
Other Purposes	48,140
Unrestricted	17,308,609
	17,308,609
<i>Total Net Assets</i>	\$24,957,462

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$12,542,464	\$369,701	\$172,130	(\$12,000,633)
Special	2,995,941	0	559,808	(2,436,133)
Vocational	312,110	0	44,094	(268,016)
Student Intervention Services	276,365	1,268	65,280	(209,817)
Support Services:				
Pupils	1,135,645	0	204,332	(931,313)
Instructional Staff	1,247,908	0	18,731	(1,229,177)
Board of Education	134,291	0	0	(134,291)
Administration	2,145,175	0	55,671	(2,089,504)
Fiscal	621,954	0	0	(621,954)
Operation and Maintenance of Plant	3,200,323	29,400	1,680	(3,169,243)
Pupil Transportation	2,268,677	0	93,770	(2,174,907)
Central	213,641	0	23,753	(189,888)
Operation of Non-Instructional Services:				
Food Services	1,265,361	594,537	508,592	(162,232)
Extracurricular Activities	530,371	237,240	15,920	(277,211)
Interest and Fiscal Charges	2,914,573	0	0	(2,914,573)
Total Governmental Activities	<u>\$31,804,799</u>	<u>\$1,232,146</u>	<u>\$1,763,761</u>	<u>(28,808,892)</u>
<u>General Revenues:</u>				
Property Taxes Levied for:				
General Purposes				13,701,414
Debt Service				4,434,231
Grants and Entitlements not Restricted to Specific Programs				10,430,939
Investment Earnings				836,497
Miscellaneous				127,963
Total General Revenues				29,531,044
Change in Net Assets				722,152
Net Assets at Beginning of Year - Restated (See Note 3)				24,235,310
Net Assets at End of Year				\$24,957,462

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,517,741	\$2,521,663	\$2,601,369	\$7,640,773
Cash and Cash Equivalents With Fiscal Agent	0	6,914	0	6,914
Receivables:				
Property Taxes	14,345,303	4,567,857	0	18,913,160
Revenue in Lieu of Taxes	15,543,888	0	0	15,543,888
Intergovernmental	0	0	54,662	54,662
Accounts	5,617	0	554	6,171
Interfund	8,202	0	0	8,202
Accrued Interest	11,060	0	0	11,060
Materials and Supplies Inventory	0	0	21,052	21,052
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalent	12,538	0	0	12,538
Total Assets	\$32,444,349	\$7,096,434	\$2,677,637	\$42,218,420
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$19,265	\$0	\$14	\$19,279
Accrued Wages and Benefits Payable	2,178,436	0	110,449	2,288,885
Intergovernmental Payable	674,571	0	44,530	719,101
Interfund Payable	0	0	8,202	8,202
Matured Bond Payable	0	5,000	0	5,000
Matured Interest Payable	0	1,914	0	1,914
Deferred Revenue	26,349,986	3,441,220	2,052	29,793,258
Total Liabilities	29,222,258	3,448,134	165,247	32,835,639
<u>Fund Balances:</u>				
Reserved for Encumbrances	40,238	0	146,788	187,026
Reserved for Property Taxes	3,537,473	1,125,338	0	4,662,811
Reserved for Bus Purchases	12,538	0	0	12,538
Unreserved, Undesignated, (Deficit) Reported in:				
General Fund	(368,158)	0	0	(368,158)
Special Revenue Funds	0	0	48,013	48,013
Debt Service Fund	0	2,522,962	0	2,522,962
Capital Projects Funds	0	0	2,317,589	2,317,589
Total Fund Balances	3,222,091	3,648,300	2,512,390	9,382,781
Total Liabilities and Fund Balances	\$32,444,349	\$7,096,434	\$2,677,637	\$42,218,420

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009**

Total Governmental Fund Balances \$9,382,781

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,821,947	
Depreciable Capital Assets	71,973,802	
Accumulated Depreciation	(13,471,374)	
Total Capital Assets	60,324,375	60,324,375

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	998,789	
Revenue in Lieu of Taxes	14,853,916	
Intergovernmental	2,052	
Tuition and Fees	834	
Investment Earnings	692,861	
	16,548,452	16,548,452

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 766,679

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds Payable	(56,984,017)	
Deferred Gain/Loss on Refundings	1,428,322	
Accretion on Capital Appreciation Bonds	(1,170,864)	
Accrued Interest on Bonds	(212,908)	
Bond Premiums	(4,057,030)	
Capital Leases	(23,775)	
Compensated Absences	(1,044,553)	
Total Liabilities	(62,064,825)	(62,064,825)

Net Assets of Governmental Activities \$24,957,462

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$13,412,714	\$4,336,323	\$0	\$17,749,037
Revenue in Lieu of Taxes	1,157,486	0	0	1,157,486
Intergovernmental	10,540,743	420,390	1,277,493	12,238,626
Investment Earnings	110,749	0	41,474	152,223
Tuition and Fees	368,867	0	0	368,867
Rent	29,400	0	0	29,400
Extracurricular Activities	0	0	238,508	238,508
Contributions and Donations	0	0	22,810	22,810
Customer Sales and Services	0	0	594,537	594,537
Miscellaneous	111,668	0	16,295	127,963
Total Revenues	25,731,627	4,756,713	2,191,117	32,679,457
Expenditures:				
Current:				
Instruction:				
Regular	11,316,287	0	440,967	11,757,254
Special	2,732,269	0	160,591	2,892,860
Vocational	289,699	0	0	289,699
Student Intervention Services	203,579	0	69,695	273,274
Support Services:				
Pupils	874,788	0	205,456	1,080,244
Instructional Staff	1,116,051	0	24,951	1,141,002
Board of Education	134,291	0	0	134,291
Administration	2,017,801	0	60,378	2,078,179
Fiscal	541,493	56,361	0	597,854
Operation and Maintenance of Plant	2,904,620	0	31,934	2,936,554
Pupil Transportation	1,958,992	0	16,493	1,975,485
Central	184,023	0	23,753	207,776
Operation of Non-Instructional Services:				
Food Services	0	0	1,144,016	1,144,016
Extracurricular Activities	263,171	0	263,416	526,587
Capital Outlay	246,578	0	241,800	488,378
Debt Service:				
Principal Retirement	13,185	1,655,000	0	1,668,185
Interest and Fiscal Charges	1,816	2,637,043	0	2,638,859
Total Expenditures	24,798,643	4,348,404	2,683,450	31,830,497
Excess of Revenues Over (Under) Expenditures	932,984	408,309	(492,333)	848,960
Other Financing Sources (Uses):				
Inception of Capital Lease	17,937	0	0	17,937
Transfers-In	0	0	633	633
Transfers-Out	0	0	(633)	(633)
Total Other Financing Sources (Uses)	17,937	0	0	17,937
Net Change in Fund Balances	950,921	408,309	(492,333)	866,897
Fund Balances at Beginning of Year - Retated (See Note 3)	2,271,170	3,239,991	3,004,723	8,515,884
Fund Balances at End of Year	\$3,222,091	\$3,648,300	\$2,512,390	\$9,382,781

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances - Total Governmental Funds \$866,897

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Assets Additions	497,980	
Depreciation Expense	(1,767,686)	
Excess of Depreciation Expense Over Capital Outlay		(1,269,706)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent Property Taxes	386,608	
Revenue In Lieu of Taxes	(1,157,486)	
Intergovernmental	(66,736)	
Interest	684,274	
Tuition and Fees	834	
Total (Increase)/Decrease		(152,506)

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability. (17,937)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Bond Principal Retirement	1,655,000	
Capital Leases	13,185	
Total Long-Term Debt Repayment		1,668,185

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The difference in the amount of interest on the Statement of Activities is the result of the following:

Decrease in Accrued Interest	6,846	
Amortization of Gain/Loss on Refundings	(78,867)	
Amortization of Bond Premium	211,555	
Amortization of Bond Issuance Costs	(40,927)	
		98,607

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Compensated Absences Payable	(97,067)	
Accretion on Bonds	(374,321)	
Total (Increase)/Decrease		(471,388)

Change in Net Assets of Governmental Activities \$722,152

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$15,192,122	\$14,617,443	\$13,131,726	(\$1,485,717)
Revenue in Lieu of Taxes	1,100,000	1,157,486	1,157,486	0
Intergovernmental	7,200,531	8,927,989	10,540,743	1,612,754
Investment Earnings	182,622	88,436	102,578	14,142
Tuition and Fees	276,268	318,177	369,056	50,879
Rent	21,420	23,308	27,035	3,727
Miscellaneous	62,947	102,974	103,831	857
Total Revenues	24,035,910	25,235,813	25,432,455	196,642
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,999,188	11,272,680	11,106,883	165,797
Special	1,989,901	2,688,671	2,649,126	39,545
Vocational	149,755	277,507	273,425	4,082
Student Intervention Services	276,476	211,664	208,551	3,113
Support Services:				
Pupils	890,865	866,699	853,952	12,747
Instructional Staff	950,594	1,114,599	1,097,984	16,615
Board of Education	72,841	150,058	147,851	2,207
Administration	1,748,991	2,016,180	1,986,526	29,654
Fiscal	536,867	550,668	542,569	8,099
Operation and Maintenance of Plant	2,860,090	2,966,490	2,922,859	43,631
Pupil Transportation	1,854,131	1,974,181	1,945,144	29,037
Central	189,643	189,078	186,297	2,781
Extracurricular Activities	248,757	267,712	263,774	3,938
Capital Outlay	10,826	232,054	228,641	3,413
Total Expenditures	21,778,925	24,778,241	24,413,582	364,659
Excess of Revenues Over Expenditures	2,256,985	457,572	1,018,873	561,301
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	5,000	7,837	7,837	0
Advances-In	29,848	29,848	29,848	0
Advances-Out	0	(8,202)	(8,202)	0
Total Other Financing Sources (Uses)	34,848	29,483	29,483	0
Net Change in Fund Balance	2,291,833	487,055	1,048,356	561,301
Fund Balance at Beginning of Year	1,153,147	1,153,147	1,153,147	0
Prior Year Encumbrances Appropriated	286,443	286,443	286,443	0
Fund Balance at End of Year	\$3,731,423	\$1,926,645	\$2,487,946	\$561,301

See accompanying notes to the basic financial statements

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2009

	<u>Student Managed Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$51,537</u></u>
<u>Liabilities:</u>	
Undistributed Monies	<u><u>\$51,537</u></u>

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1956 and is located just east of the City of Columbus about one-half mile from the Franklin County border. The School District serves an area of approximately 36 square miles. It is located in Licking and Franklin Counties and covers parts of the City of Pataskala, the Village of Jersey, and St. Albans and Etna Townships in Licking County and parts of Jefferson Township, the City of Reynoldsburg and the City of Columbus in Franklin County. It is staffed by 160 non-certificated employees, 219 certificated teaching personnel, and 18 administrative personnel who provide services to 3,165 students and other community members. The School District currently operates five instructional buildings, one administrative building, and a bus garage.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in four organizations, three of which are defined as jointly governed organizations and one as an insurance purchasing pool. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, the School Study Council of Ohio and the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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

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

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

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

Fiduciary Fund

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents With Fiscal Agent."

During fiscal year 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio).

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents (continued)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$110,749, which includes \$65,753 assigned from other School District funds.

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

G. Inventory

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

H. Capital Assets

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 20 years
Buildings and Improvements	20 - 45 years
Furniture, Fixtures and Equipment	7 - 20 year
Vehicles	5 - 20 years

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payables”. These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

K. Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds/Gain and Loss on Refunding

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance Reserves

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

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

N. Internal Activity

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

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

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

O. Net Assets

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

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

P. Estimates

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 3 – RESTATEMENT OF NET ASSETS

For fiscal year 2009, the School District increased their threshold for capital assets reporting and prior year advances were mistakenly recorded as transfers. Therefore, beginning balances were adjusted accordingly, as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance, June 30, 2008	\$2,241,322	\$3,034,571
Restatement of Transfers	29,848	(29,848)
Fund Balance, June 30, 2008 as Restated	<u>\$2,271,170</u>	<u>\$3,004,723</u>
		<u>Governmental Activities</u>
Net Assets, June 30, 2008		\$24,277,223
Restatement of Capital Assets		(41,913)
Net Assets, June 30, 2008 as Restated		<u>\$24,235,310</u>

NOTE 4 – ACCOUNTABILITY

At June 30, 2009, the Food Service and Title VI-R Special Revenue Funds had deficit fund balances of \$47,001 and \$1,489, respectively, as a result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances when cash is needed rather than when accruals occur.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

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LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis:	\$950,921
Adjustments:	
Revenue Accruals	(309,272)
Expenditure Accruals	427,394
Advances	21,646
Encumbrances	<u>(42,333)</u>
Budget Basis	<u><u>\$1,048,356</u></u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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 for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$4,419,879 of the School District's bank balance of \$5,201,793 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

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

Investments

As of June 30, 2009, the School District had the following investment:

	<u>Fair Value</u>	<u>Average Maturity</u>
STAROhio	<u>\$3,158,729</u>	58.1 days

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. The School District will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date.

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

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in calendar year 2009 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property tax) represents the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Licking and Franklin Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2009, are available to finance fiscal year 2009 operations. The amounts available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late tangible personal property tax settlement were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 7 – PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2009 was \$3,537,473 in the General Fund and \$1,125,338 in the Debt Service Fund. The amount available as an advance at June 30, 2008, was \$3,244,337 in the General Fund and \$970,846 in the Debt Service Fund.

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$489,568,050	96.87%	\$510,909,260	98.15%
Public Utility Personal	6,925,410	1.37%	8,539,370	1.64%
General Business Personal	8,876,875	1.76%	1,079,695	0.21%
Total Assessed Value	\$505,370,335	100.00%	\$520,528,325	100.00%
Tax rate per \$1,000 of assessed valuation	\$50.07		\$47.00	

NOTE 8 – RECEIVABLES

Receivables at June 30, 2009, consisted of property taxes, revenue in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants, interfund, and accrued interest. All receivables are considered collectible in full and will be received within one year with the exception of property taxes and revenue in lieu of taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Revenue in lieu of taxes will be received over the designated period established by the agreements.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Idea Part-B	\$24,280
Title III	10,848
Title I	14,543
Title IV-A	385
Title II-A	4,606
Total Intergovernmental Receivables	\$54,662

Revenue in Lieu of Taxes

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 8 – RECEIVABLES (continued)

The School District also receives revenue in lieu of taxes from a revenue sharing agreement with the City of Reynoldsburg. Licking County and the City of Reynoldsburg entered into an enterprise zone agreement to allow several businesses a tax exemption on tangible personal property taxes. The School District is to receive 50 percent of income tax revenue collected by the City of Reynoldsburg on new jobs created by the enterprise zone. This agreement will expire during fiscal year 2020. The School District does not record a receivable under this agreement since the amount to be collected is not material.

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Restated Balance at 6/30/2008	Additions	Deletions	Balance at 6/30/2009
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$1,821,947	\$0	\$0	\$1,821,947
Capital Assets Being Depreciated:				
Land Improvements	353,110	52,851	0	405,961
Buildings and Improvements	66,491,653	397,634	54,932	66,834,355
Furniture, Fixtures and Equipment	1,953,908	33,979	44,874	1,943,013
Vehicles	2,776,957	13,516	0	2,790,473
Total Capital Assets Being Depreciated	<u>71,575,628</u>	<u>497,980</u>	<u>99,806</u>	<u>71,973,802</u>
Less Accumulated Depreciation:				
Land Improvements	(57,455)	(29,044)	0	(86,499)
Buildings and Improvements	(9,638,317)	(1,484,485)	(54,932)	(11,067,870)
Furniture, Fixtures and Equipment	(1,132,653)	(131,305)	(44,874)	(1,219,084)
Vehicles	(975,069)	(122,852)	0	(1,097,921)
Total Accumulated Depreciation	<u>(11,803,494)</u>	<u>(1,767,686) *</u>	<u>(99,806)</u>	<u>(13,471,374)</u>
Total Capital Assets Being Depreciated, Net	<u>59,772,134</u>	<u>(1,269,706)</u>	<u>0</u>	<u>58,502,428</u>
Governmental Activities Capital Assets, Net	<u>\$61,594,081</u>	<u>(\$1,269,706)</u>	<u>\$0</u>	<u>\$60,324,375</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 9 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$711,658
Special	104,133
Vocational	14,363
Support Services:	
Pupils	50,271
Instructional Staff	108,392
Administration	89,224
Fiscal	17,361
Operation and Maintenance of Plant	236,388
Pupil Transportation	304,303
Central	5,634
Operation of Non-Instructional Services:	
Food Services	119,492
Extracurricular Activities	6,467
Total Depreciation Expense	\$1,767,686

NOTE 10 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School District contracted with Indiana Insurance Company for building and contents and fleet insurance.

Insurance coverage provided includes the following:

Building and Contents replacement cost (\$1,000 deductible)	\$71,526,159
General Liability (per Occurrence)	1,000,000
Annual Aggregate, Products and Completed Operations and Other	2,000,000
Personal and Advertising Injury Aggregate	1,000,000
Fire Damage	300,000
Medical Expense (Each Claim)	15,000
Employee Benefits Limited Liability	1,000,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
Medical Payments	5,000
Equipment Floater (\$500 deductible)	179,427
	(continued)

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 10 – RISK MANAGEMENT (continued)

A. Property and Liability (continued)

Theft, Disappearance and Destruction (\$500 deductible)	
Inside the Premises	\$10,000
Outside the Premises	10,000
Umbrella per Occurrence and Annual Aggregate Limit	5,000,000
Automobile	1,000,000
General Liability	
Each Occurrence	1,000,000
General Aggregate	2,000,000
Products and Completed Operations	2,000,000
Personal and Advertising Injury	1,000,000
Employer's Liability	
Each Accident	1,000,000
Disease Policy Limit	1,000,000
Disease each Employee	1,000,000
Sexual Abuse	1,000,000

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

B. Workers' Compensation

For fiscal year 2009, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald provides administrative, cost control, and actuarial services to the GRP.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$323,100, \$359,113 and \$368,580, respectively; 45.96 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio (continued)

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,393,724, \$1,238,345 and \$1,194,060, respectively; 82.56 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$22,348 made by the School District and \$67,179 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009 one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$225,393, \$215,462 and \$141,722, respectively; 45.96 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008 and 2007 were \$26,658, \$25,875 and \$25,063 respectively; 45.96 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$107,210, \$95,257 and \$85,290 respectively; 82.56 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 13 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, sick leave and personal leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

All certificated and classified employees who work 12 months and all administrators earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 320 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 80 days for all certificated and classified employees. All employees earn additional bonus severance days based upon years of service. Certified employees earn one to five days and classified employees earn one to six days.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 13 – EMPLOYEE BENEFITS (continued)

B. Insurance Benefits

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

C. Deferred Compensation

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

NOTE 14 – LEASES – LESSEE DISCLOSURE

During the current year and in prior years, the School District entered into capitalized leases for copiers. All leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease were initially capitalized in the amount of \$72,953 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2009 totaled \$13,185 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2009, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
<u>Asset:</u>			
Copiers	\$72,953	(\$50,710)	\$22,243

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

NOTE 14 – 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, 2009:

Fiscal Year Ending June 30,	Total Payments
2010	\$11,508
2011	4,476
2012	4,476
2013	4,476
2014	2,984
Total	27,920
Less: Amount Representing Interest	(4,145)
Present Value of Net Minimum Lease Payments	\$23,775

During the fiscal year and in prior years, the School District entered into a noncancelable operating lease for the use of computers. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments for fiscal year 2009 totaled \$12,247 and \$6,943 in the General Fund and Building Capital Projects Fund, respectively.

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

Fiscal Year Ending June 30,	Total Payments
2010	\$20,380
2011	13,836
Total	\$34,216

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Amounts Outstanding 6/30/08	Additions	Deductions	Amounts Outstanding 6/30/09	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement Bonds - 6.4%	\$915,000	\$0	\$5,000	\$910,000	\$5,000

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

	Amounts Outstanding 6/30/08	Additions	Deductions	Amounts Outstanding 6/30/09	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement					
Bonds - 4.55% to 6.0%					
Serial Bonds	\$1,590,000	\$0	\$660,000	\$930,000	\$815,000
Capital Appreciation Bonds	74,032	0	0	74,032	0
Accretion on Capital					
Appreciation Bonds	401,136	129,870	0	531,006	0
2004 School Improvement					
Bonds					
Serial Bonds - 2.75% 4.75%	9,810,000	0	700,000	9,110,000	1,100,000
Capital Appreciation Bonds - 4.15% - 4.75%	70,000	0	0	70,000	0
Accretion on Capital					
Appreciation Bonds	266,146	159,608	0	425,754	0
Unamortized Premium	1,000,370	0	48,405	951,965	0
2005 School Construction					
Current Refunding Bonds					
Serial Bonds - 3.5% - 5.0%	6,780,000	0	5,000	6,775,000	5,000
Term Bonds - 5.0%	3,170,000	0	0	3,170,000	0
Unamortized Premium	549,110	0	21,964	527,146	0
2005 School Bus Bonds -					
3.5% to 4.0%					
	745,000	0	85,000	660,000	85,000
Unamortized Premium	14,710	0	1,838	12,872	0
2005 School Improvement					
Advance Refunding Bonds					
Serial Bonds - 3.5% - 5.0%	14,685,000	0	70,000	14,615,000	70,000
Term Bonds - 5.0%	2,110,000	0	0	2,110,000	0
Capital Appreciation Bonds - 4.17% - 4.4%	174,994	0	0	174,994	0
Accretion on Capital					
Appreciation Bonds	98,162	43,708	0	141,870	0
Unamortized Premium	1,426,872	0	67,946	1,358,926	0
Loss on Refunding	(1,252,776)	0	(59,656)	(1,193,120)	0

(continued)

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

	Amounts Outstanding 6/30/08	Additions	Deductions	Amounts Outstanding 6/30/09	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2006 Advance Refunding					
Bonds - 4.0%					
Serial Bonds	\$3,755,000	\$0	\$75,000	\$3,680,000	\$80,000
Term Bonds	5,350,000	0	0	5,350,000	0
Capital Appreciation Bonds	29,993	0	0	29,993	0
Accretion on Capital					
Appreciation Bonds	23,054	24,364	0	47,418	0
Unamortized Premium	740,848	0	44,900	695,948	0
Loss on Refunding	(592,377)	0	(35,901)	(556,476)	0
2007 Advance Refunding					
Bonds					
Serial Bonds - 4.0% - 4.3%	7,645,000	0	55,000	7,590,000	55,000
Term Bonds - 4.0% - 4.1%	1,685,000	0	0	1,685,000	0
Capital Appreciation					
Bonds - 4.17%	49,998	0	0	49,998	0
Accretion on Capital					
Appreciation Bonds	8,045	16,771	0	24,816	0
Unamortized Premium	536,675	0	26,502	510,173	0
Gain on Refunding	337,964	0	16,690	321,274	0
Capital Leases	19,023	17,937	13,185	23,775	9,813
Compensated Absences	947,486	215,054	117,987	1,044,553	126,691
Total Governmental Activities					
Long-Term Obligations	<u>\$63,163,465</u>	<u>\$607,312</u>	<u>\$1,918,860</u>	<u>\$61,851,917</u>	<u>\$2,351,504</u>

2000 School Improvement Bonds

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

2000 School Improvement Bonds

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

The capital appreciation bonds were issued for \$74,032. The fiscal year 2009 accretion amount is \$129,870. The capital appreciation bonds will mature in fiscal years 2014 through 2018 as follows:

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

2004 School Improvement Bonds

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

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

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

The capital appreciation bonds were issued for \$70,000. The maturity amount of the bonds is \$2,875,000. The fiscal year 2009 accretion amount is \$159,608.

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

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

2005 School Construction Current Refunding Bonds

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

2005 School Construction Current Refunding Bonds (continued)

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

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

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

2005 School Bus Bonds

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

2005 School Improvement Advance Refunding Bonds

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

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

2005 School Improvement Advance Refunding Bonds (continued)

The capital appreciation bonds, issued at \$174,994, are not subject to prior redemption. The fiscal year 2009 accretion amount is \$43,708. The capital appreciation bonds will mature in fiscal years 2017 through 2019 as follows:

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

At June 30, 2009, \$17,100,000 of the refunded bonds were outstanding.

2006 Advance Refunding Bonds

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

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

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

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

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

2006 Advance Refunding Bonds (Continued)

The capital appreciation bonds, issued at \$29,993, are not subject to prior redemption. The fiscal year 2009 accretion amount is \$24,364. The capital appreciation bonds will mature in fiscal years 2016 and 2017 as follows:

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

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

2007 Advanced Refunding Bonds

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

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

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2014	\$70,000
2015	70,000
2016	75,000
2017	75,000
2018	80,000

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

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

2007 Advanced Refunding Bonds (continued)

The capital appreciation bonds, issued at \$49,998, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2020 in the amount of \$1,075,000. The fiscal year 2009 accretion amount is \$16,771.

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

Principal and interest requirements to retire the School District's outstanding debt at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$2,215,000	\$2,009,181	\$0	\$545,715	\$0	\$0
2011	865,000	1,945,374	0	545,715	0	0
2012	745,000	1,914,514	0	545,715	15,000	320,000
2013	900,000	1,882,245	0	545,715	15,000	420,000
2014	630,000	1,851,525	0	545,715	32,127	967,873
2015-2019	4,885,000	9,065,650	475,000	2,690,475	286,892	6,288,108
2020-2024	17,670,000	5,977,877	4,105,000	2,523,460	49,998	1,025,002
2025-2029	16,360,000	2,002,538	5,140,000	1,273,852	0	0
2030-2033	0	0	2,595,000	267,375	0	0
Totals	<u>\$44,270,000</u>	<u>\$26,648,904</u>	<u>\$12,315,000</u>	<u>\$9,483,737</u>	<u>\$399,017</u>	<u>\$9,020,983</u>

All general obligation bonds will be retired from the Debt Service Fund with property tax revenues. Capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund and the Food Service, Title VI-B, Title I, and Title II-A Special Revenue Funds.

The School District's overall legal debt margin was (\$6,588,674) with an unvoted debt margin of \$4,167,712 at June 30, 2009. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's portion of Ohio School Facilities construction project costs. The School District submitted the issuance of the School Construction Bonds to the electors prior to the adoption of H.B. 530. In addition, H.B. 530 now excludes tangible personal property used in business, telephone, or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 16 – INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2009 were as follows:

	Transfers From	
	Other	
	Governmental	
	Funds	
	<hr/>	
Transfers To		
Other Governmental Funds		\$633
		<hr/> <hr/>

Transfers from the Building Capital Projects Fund to the Food Service Special Revenue Fund represent a reimbursement for the value of lost food relating to the improper installation of a freezer. The School District agreed to pay the contractor the remaining balance owed on the contract, less the value of the lost food.

Interfund balances at June 30, 2009, consist of the following interfund receivables and payables:

	Receivable	
	General	
	<hr/>	
Payable		
Other Governmental Funds		\$8,202
		<hr/> <hr/>

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

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA), which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendent from all participating districts. The School District paid \$90,780 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, Ohio 43055.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each fiscal year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District paid \$1,122 to MEC for membership during fiscal year 2009. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

C. School Study Council of Ohio

The School Study Council of Ohio (the "Council") is a jointly governed organization operated by a Board of Trustees (the "Board") that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and participate in Council discussions, but are not entitled to vote. The Board is annually elected from within the Council's active membership. The Board consisted of 14 members. In fiscal year 2009, Licking Heights Local School District obtained active membership privileges and paid a membership fee of \$680. Financial information may be obtained from the School Study Council of Ohio, at 2080 Citygate Drive, Columbus, OH 43219.

NOTE 18 – INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group insurance purchasing pool.

The GRP's business and affairs are conducted by a five member Board of Directors. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 19 – SET-ASIDE CALCULATIONS

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 19 – SET-ASIDE CALCULATIONS (continued)

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2008	(\$959,521)	\$0
Current Fiscal Year Set-aside Requirement	445,524	445,524
Current Fiscal Year Offsets	0	(276,563)
Qualifying Disbursements	(425,829)	(168,961)
Set-aside Reserve Balance as of June 30, 2009	(\$939,826)	\$0
Required Set-aside Balances Carried Forward to FY 2010	(\$939,826)	\$0

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

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

NOTE 20 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

B. Litigation

The School District is party to legal proceedings. It is management's opinion that the ultimate outcome of the proceedings will not materially affect the School District's finances.

NOTE 21 – SUBSEQUENT EVENTS

On November 3, 2009, the voters approved a 1.99 mill continuous permanent improvement levy.

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**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 71,510	\$ 71,510
Cash Assistance			
School Breakfast Program	10.553	61,705	61,705
National School Lunch Program	10.555	364,478	364,478
Total Nutrition Cluster		<u>497,693</u>	<u>497,693</u>
Total U.S. Department of Agriculture		<u>497,693</u>	<u>497,693</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education_Grants to States Program	84.027	398,811	378,087
Title I Grants to Local Educational Agencies Program	84.010	153,834	150,245
Safe and Drug-Free Schools and Communities State Grants Program	84.186	6,590	6,385
Javits Gifted and Talented Students Education Grant Program	84.206	2,872	2,684
State Grants for Innovative Programs	84.298	4,479	4,888
Education Technology State Grants Program	84.318	2,248	2,361
English Language Acquisition Grants			
English Language Acquisition Grants- Limited English Proficient	84.365	47,597	47,434
English Language Acquisition Grants- Immigrant	84.365	4,840	4,840
		<u>52,437</u>	<u>52,274</u>
Improving Teacher Quality State Grants Program	84.367	50,790	52,410
Total U.S. Department of Education		<u>672,061</u>	<u>649,334</u>
Totals		<u>\$ 1,169,754</u>	<u>\$ 1,147,027</u>

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

Licking Heights Local School District
Licking County
6539 Summit Road SW
Pataskala, Ohio 43062

To the Board of Education:

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

Internal Control Over Financial Reporting

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

A 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 its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Government's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated February 1, 2010.

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 1, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Licking Heights Local School District, Licking County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with those requirements.

In our opinion, the Licking Heights Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Government's internal control over compliance with requirements that could directly and materially affect 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.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement 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 the Government's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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.

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

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

Mary Taylor, CPA
Auditor of State

February 1, 2010

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster- CFDA # 10.553 & 10.555 Title 1- CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	OMB Circular A-133, Subpart C§. 320- Financial audit was not submitted to Federal Audit Clearinghouse timely.	Yes	



Mary Taylor, CPA

Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Licking Heights Local School District, (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 15, 2003 with the latest revision date being March 18, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;

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- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

February 1, 2010



Mary Taylor, CPA
Auditor of State

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 16, 2010