

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2016*

DAVID VARDA, TREASURER



Dave Yost • Auditor of State

Board of Education
Licking Heights Local School District
6539 Summit Rd SW
Pataskala, OH 43062

We have reviewed the *Independent Auditor's Report* of the Licking Heights Local School District, Licking County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 6, 2017

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**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements 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 and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Licking Heights Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Licking Heights Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Licking Heights Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the Licking Heights Local School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, on our consideration of the Licking Heights Local School 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Licking Heights Local School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name and date.

Julian & Grube, Inc
December 27, 2016

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (UNAUDITED)

This discussion and analysis of the Licking Heights Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- At fiscal year-end, the School District's Net Position totaled negative \$31.6 million, a \$1.2 million increase in comparison with the prior fiscal year.
- General and Program-specific revenues totaled \$41.9 million and \$4.3 million, respectively.
- The School District had \$45.1 million in expenses. As stated above, only \$4.3 million of these expenses were offset by program revenues. The net expenses of the School District's programs are funded by general revenues, consisting primarily of property taxes and unrestricted grants and entitlements.

Using the Basic Financial Statements

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (UNAUDITED)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the School District's net position and changes in net position. This change in net position 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 Position and the Statement of Activities, the School District only reports governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Proprietary Fund

The School District utilizes one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for the management of its health self-insurance activities. Because this service predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

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

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 25 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$31.6 million (negative net position) at the close of the current fiscal year.

The largest portions of the School District's net position are restricted for debt service (\$1.3 million) and permanent improvement (\$1.6 million).

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LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

An analysis of fiscal year 2016 in comparison with fiscal year 2015 follows for the Statement of Net Position:

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Current Assets	\$ 39,822,372	\$ 38,633,705	3.08%
Capital Assets	57,647,713	58,781,063	-1.93%
Total Assets	<u>97,470,085</u>	<u>97,414,768</u>	0.06%
Deferred Amount on Refunding	2,335,929	2,575,528	-9.30%
Pension	9,637,338	7,198,183	33.89%
Total Deferred Outflows of Resources	<u>11,973,267</u>	<u>9,773,711</u>	22.50%
Current Liabilities	4,797,455	4,815,828	-0.38%
Long-term Liabilities:			
Due Within One Year	4,331,441	4,009,693	8.02%
Due in More Than One Year:			
Net Pension Liability	44,432,388	36,867,530	20.52%
Other Amounts Due in More Than One Year	65,203,628	68,632,517	-5.00%
Total Liabilities	<u>118,764,912</u>	<u>114,325,568</u>	3.88%
Property Taxes	19,725,562	19,028,668	3.66%
Pension	2,571,863	6,667,194	-61.43%
Total Deferred Inflows of Resources	<u>22,297,425</u>	<u>25,695,862</u>	-13.23%
Net Investment in Capital Assets	(1,191,219)	(1,954,659)	39.06%
Restricted	3,539,034	4,365,204	-18.93%
Unrestricted	(33,966,800)	(35,243,496)	3.62%
Total Net Position	<u>\$ (31,618,985)</u>	<u>\$ (32,832,951)</u>	3.70%

Deferred Outflows of Resources related to pensions increased significantly in comparison with the prior fiscal year-end. This increase is the result of the difference between expected and actual experience. Deferred outflows also increased due to the unamortized amount on refunding which is a result of refunding debt during the current fiscal year.

Net Pension Liability increased significantly in comparison with the prior fiscal year-end. This increase is primarily the result of poor pension investment returns, as reported by the pension systems.

Other Long-term liabilities decreased significantly in comparison with the prior fiscal year. This decrease is the result of the debt principal reduction payments.

Deferred Inflows of Resources related to pensions decreased significantly in comparison with the prior fiscal year-end. This decrease is primarily the result of the difference between projected and actual investment earnings, as reported by the pension systems.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

An analysis of fiscal year 2016 in comparison with fiscal year 2015 follows for the Statement of Activities:

Governmental Activities			
	2016	2015	Percent Change
Program Revenues			
Charges for Services	\$ 1,711,413	\$ 1,438,084	19.01%
Operating Grants	2,604,925	3,552,504	-26.67%
General Revenues			
Property Taxes	24,425,015	23,774,098	2.74%
Revenue in Lieu of Taxes	920,150	2,748,866	-66.53%
Grants and Entitlements not Restricted to			
Specific Programs	15,958,371	13,369,491	19.36%
Investment Earnings	35,780	25,917	38.06%
Miscellaneous	610,104	405,106	50.60%
Total Revenues	46,265,758	45,314,066	2.10%
Program Expenses			
Instruction	25,842,069	25,149,885	2.75%
Support Services	13,551,327	13,984,508	-3.10%
Non-Instructional	1,667,650	1,510,200	10.43%
Extracurricular Activities	696,277	632,709	10.05%
Interest and Fiscal Charges	3,294,469	3,321,014	-0.80%
Total Expenses	45,051,792	44,598,316	1.02%
Change in Net Position	1,213,966	715,750	
Net Position at Beginning of Year, Restated	(32,832,951)	(33,548,701)	
Net Position at End of Year	\$ (31,618,985)	\$ (32,832,951)	

Total Revenues increased significantly in comparison with the prior fiscal year. This increase is primarily the result of increases in Unrestricted Grants and Entitlements. The increase in Unrestricted Grants and Entitlements is a result of increase in per pupil foundation funding provided by the State.

Total Expenses remained fairly consistent in comparison with the prior fiscal year.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

An analysis of fiscal year 2016 in comparison with fiscal year 2015 follows:

	<u>Total Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2016</u>	<u>Net Cost of Services 2015</u>
Program expenses				
Instruction	25,842,069	\$ 25,149,885	\$ 24,008,783	\$ 22,414,524
Support services	13,551,327	13,984,508	13,467,436	13,658,734
Non-Instructional	1,667,650	1,510,200	(137,916)	(141,021)
Extracurricular Activities	696,277	632,709	102,682	354,477
Interest	3,294,469	3,321,014	3,294,469	3,321,014
Total	<u>\$ 45,051,792</u>	<u>\$ 44,598,316</u>	<u>\$ 40,735,454</u>	<u>\$ 39,607,728</u>

Financial Analysis of the School District’s Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the School District’s governmental funds reported combined ending fund balances of \$11.9 million, an increase of \$1.0 million in comparison with the prior fiscal year. The School District had an unassigned fund balance of \$1.3 million. The remaining fund balance is either restricted by external third parties for specific purposes (\$3.7 million) or assigned by the School District for specific purposes (\$6.9 million).

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

An analysis of fiscal year 2016 in comparison with fiscal year 2015 follows:

	<u>Fund Balance June 30, 2016</u>	<u>Fund Balance June 30, 2015</u>	<u>Variance</u>
General Fund	\$ 7,100,397	\$ 5,321,094	\$ 1,779,303
Debt Service Fund	1,452,592	1,443,250	9,342
Other Governmental Funds	3,334,030	4,074,077	(740,047)
Total Governmental Funds	<u>\$ 11,887,019</u>	<u>\$ 10,838,421</u>	<u>\$ 1,048,598</u>

General Fund

The General Fund is the chief operating fund of the School District. At the end of current fiscal year, fund balance in the School District's general fund totaled \$7.1 million, an increase of \$1.8 million in comparison with the prior fiscal year. This increase is primarily the result of an increase in foundation receipts from increased enrollment.

Debt Service Fund

Fund balance in the Debt Service Fund increased \$9,342 during the fiscal year. This increase represents the amount in which current year property tax and related revenues exceeded debt service expenditures.

General Fund Budget Information

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

For the General Fund, the variances between original and final budgeted revenues and expenditures were insignificant. Actual revenues and other financing sources exceeded the final budgeted amounts by approximately \$415,597, primarily due to underestimating property tax receipts, while actual expenditures and other financing uses exceeded final budgeted amounts by \$197,038, primarily due to conservative budgeting.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (UNAUDITED)

Capital Assets

At the end of the fiscal year, the School District had \$57.6 million (net of accumulated depreciation) invested in capital assets, a decrease of \$1.1 million in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation (\$1.9 million) exceeded capital acquisitions (\$810,013). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

Debt

At the end of the fiscal year, the School District had total bonded debt outstanding of \$66.7 million, a decrease of \$1.9 million in comparison with the prior fiscal year. This decrease represents the amount in which current year principal payments (\$3.5 million) exceeded accretion/amortization (\$1.7 million).

Detailed information regarding long-term obligations is included in Note 14 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 Nick Roberts, Treasurer, at Licking Heights Local School District, 6539 Summit Road SW, Pataskala, Ohio 43062.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2016**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 13,077,002
Receivables:	
Property Taxes	24,644,848
Revenue in Lieu of Taxes	1,846,062
Intergovernmental	244,837
Materials and Supplies Inventory	9,623
Nondepreciable Capital Assets	3,418,147
Depreciable Capital Assets, Net	54,229,566
Total Assets	97,470,085
Deferred Outflows of Resources	
Unamortized Amount on Refunding Pension	2,335,929
	9,637,338
Total Deferred Outflows of Resources	11,973,267
Liabilities	
Accounts Payable	529,429
Accrued Wages and Benefits Payable	2,751,985
Intergovernmental Payable	578,573
Accrued Interest Payable	228,668
Claims Payable	708,800
Long-Term Liabilities	
Due within One Year	4,331,441
Due in More Than One Year:	
Net Pension Liability	44,432,388
Other Amounts Due in More Than One Year	65,203,628
Total Liabilities	118,764,912
Deferred Inflows of Resources	
Property and Other Local Taxes	19,725,562
Pension	2,571,863
Total Deferred Inflows of Resources	22,297,425
Net Position	
Net Investment in Capital Assets	(1,191,219)
Restricted for:	
Debt Service	1,295,316
Permanent Improvements	1,645,083
Food Service	446,517
Special Trust	6,112
Other Local Grants	5,381
Extracurricular Activities	105,754
State and Federal Grants	34,871
Unrestricted	(33,966,800)
Total Net Position	\$ (31,618,985)

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, 2016**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 20,451,172	\$ 391,019	\$ 49,516	\$ (20,010,637)
Special	5,283,151	106,127	1,240,181	(3,936,843)
Vocational	100,425	2,060	43,849	(54,516)
Other	7,321	534	-	(6,787)
Support Services				
Pupils	2,274,322	-	-	(2,274,322)
Instructional Staff	734,392	-	3,600	(730,792)
Board of Education	100,087	-	-	(100,087)
Administration	2,342,561	-	71,291	(2,271,270)
Fiscal	1,093,044	-	-	(1,093,044)
Operation and Maintenance of Plant	3,504,187	-	-	(3,504,187)
Pupil Transportation	2,828,151	-	-	(2,828,151)
Central	674,583	-	9,000	(665,583)
Non-Instructional Services	1,667,650	676,836	1,128,730	137,916
Extracurricular Activities	696,277	534,837	58,758	(102,682)
Interest and Fiscal Charges	3,294,469	-	-	(3,294,469)
Total Governmental Activities	\$ 45,051,792	\$ 1,711,413	\$ 2,604,925	(40,735,454)
General Revenues				
Property Taxes Levied for:				
General Purposes				19,970,385
Debt Service				3,539,174
Permanent Improvement				915,456
Revenue in Lieu of Taxes				920,150
Grants & Entitlements not Restricted to Specific Programs				15,958,371
Investment Earnings				35,780
Miscellaneous				610,104
Total General Revenues				41,949,420
Change in Net Position				1,213,966
Net Position Beginning of Year				(32,832,951)
Net Position End of Year				\$ (31,618,985)

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016**

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 6,227,702	\$ 548,519	\$ 3,642,061	\$ 10,418,282
Receivables:				
Property Taxes	20,069,344	3,635,001	940,503	24,644,848
Revenue in Lieu of Taxes	1,846,062	-	-	1,846,062
Intergovernmental	-	-	244,837	244,837
Interfund	47,487	-	-	47,487
Materials and Supplies Inventory	-	-	9,623	9,623
Total Assets	\$ 28,190,595	\$ 4,183,520	\$ 4,837,024	\$ 37,211,139
Liabilities:				
Accounts Payable	\$ 172,006	\$ -	\$ 357,423	\$ 529,429
Accrued Wages and Benefits Payable	2,483,559	-	268,426	2,751,985
Intergovernmental Payable	550,239	-	28,334	578,573
Interfund Payable	-	-	47,487	47,487
Matured Compensated Absences	18,296	-	-	18,296
Notes Payable	1,095,000	-	-	1,095,000
Total Liabilities	4,319,100	-	701,670	5,020,770
Deferred Inflows of Resources:				
Property and Other Local Taxes	16,377,886	2,659,536	688,140	19,725,562
Unavailable Revenue	393,212	71,392	113,184	577,788
Total Deferred Inflows of Resources	16,771,098	2,730,928	801,324	20,303,350
Fund Balances:				
Restricted for:				
Debt Service	-	1,452,592	-	1,452,592
Permanent Improvements	-	-	1,626,643	1,626,643
Food Service	-	-	446,517	446,517
Special Trust	-	-	6,112	6,112
Other Local Grants	-	-	5,381	5,381
Extracurricular Activities	-	-	105,754	105,754
State and Federal Grants	-	-	28,149	28,149
Assigned for:				
Public School Support	123,222	-	-	123,222
Future Appropriations	5,491,755	-	-	5,491,755
Instruction	24,061	-	-	24,061
Support Services	56,654	-	-	56,654
Capital Projects	-	-	1,203,515	1,203,515
Unassigned (Deficit):	1,404,705	-	(88,041)	1,316,664
Total Fund Balances	7,100,397	1,452,592	3,334,030	11,887,019
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 28,190,595	\$ 4,183,520	\$ 4,837,024	\$ 37,211,139

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total Governmental Fund Balances		\$ 11,887,019
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		57,647,713
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
	Delinquent Property Tax Receivables	483,044
	Intergovernmental Receivables	94,744
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		1,949,920
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
	Deferred Outflows - Pension	9,637,338
	Deferred Inflows - Pension	(2,571,863)
	Net Pension Liability	(44,432,388)
Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
	Bonds and Notes Payable	(63,890,882)
	Unamortized Issuance Premiums	(2,782,595)
	Unamortized Losses on Refundings	2,540,376
	Unamortized Gain on Refunding	(204,447)
	Accrued Interest Payable	(228,668)
	Capital Leases Payable	(438,392)
	Compensated Absence Payable	(1,309,904)
	Total	<u>(66,314,512)</u>
Net Position of Governmental Activities		\$ <u>(31,618,985)</u>

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, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 20,063,866	\$ 3,555,256	\$ 919,606	\$ 24,538,728
Revenue in Lieu of Taxes	920,150	-	-	920,150
Intergovernmental	15,222,042	671,052	2,734,213	18,627,307
Investment Earnings	21,384	-	8,737	30,121
Tuition and Fees	499,740	-	-	499,740
Rent	113,485	-	-	113,485
Extracurricular Activities	187,518	-	284,514	472,032
Contributions and Donations	21,018	-	42,949	63,967
Customer Sales and Services	-	-	670,058	670,058
Miscellaneous	531,759	-	23,307	555,066
Total Revenues	37,580,962	4,226,308	4,683,384	46,490,654
Expenditures:				
Instruction:				
Regular	18,556,574	-	164,729	18,721,303
Special	3,817,561	-	1,263,607	5,081,168
Vocational	98,642	-	-	98,642
Other	24,089	-	1,500	25,589
Support services:				
Pupils	2,294,929	-	-	2,294,929
Instructional Staff	678,512	-	28,219	706,731
Board of Education	100,087	-	-	100,087
Administration	2,246,970	-	42,023	2,288,993
Fiscal	1,044,211	42,189	13,929	1,100,329
Operation and Maintenance of Plant	3,199,609	-	342,438	3,542,047
Pupil Transportation	2,729,502	-	567,425	3,296,927
Central	540,360	-	140,237	680,597
Non-Instructional Services	-	-	1,701,361	1,701,361
Extracurricular Activities	450,049	-	228,987	679,036
Capital Outlay	-	-	98,871	98,871
Debt service:				
Principal Retirement	-	2,795,000	116,895	2,911,895
Interest and Fiscal Charges	26,491	2,077,734	15,253	2,119,478
Total Expenditures	35,807,586	4,914,923	4,725,474	45,447,983
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,773,376	(688,615)	(42,090)	1,042,671
Other Financing Sources (Uses):				
Sale of Capital Assets	5,927	-	-	5,927
Transfers In	-	697,957	-	697,957
Transfers Out	-	-	(697,957)	(697,957)
Total Other Financing Sources (Uses)	5,927	697,957	(697,957)	5,927
Net Change in Fund Balances	1,779,303	9,342	(740,047)	1,048,598
Fund Balances - Beginning of Year	5,321,094	1,443,250	4,074,077	10,838,421
Fund Balances - End of Year	<u>\$ 7,100,397</u>	<u>\$ 1,452,592</u>	<u>\$ 3,334,030</u>	<u>\$ 11,887,019</u>

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 1,048,598

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

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

Depreciation Expense	(1,943,363)
Capital Outlay	810,013

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(236,482)
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	2,824,913
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(3,855,285)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Principal Repayments	1,274,003
Capital Appreciation Bond Accretion Payments	1,520,997
Capital Lease Principal Repayments	116,895
Amortization of Bond Issuance Premiums	747,330
Amortization of Losses on Refundings	(256,289)
Amortization of Gain on Refunding	16,690

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

Compensated Absences	(104,259)
Accrued Interest	3,719
Accretion of Capital Appreciation Bonds	(1,686,441)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	932,927
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Change in Net Position of Governmental Activities	\$ 1,213,966
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See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 19,488,299	\$ 19,752,070	\$ 19,971,314	\$ 219,244
Revenue in Lieu of Taxes	1,340,961	1,359,111	1,374,197	15,086
Intergovernmental	14,939,195	15,141,394	15,309,461	168,067
Investment Earnings	20,867	21,149	21,384	235
Tuition and Fees	487,654	494,254	499,740	5,486
Rent	110,740	112,239	113,485	1,246
Extracurricular Activities	74,527	75,536	76,374	838
Miscellaneous	473,741	480,153	485,483	5,330
Total Revenues	36,935,984	37,435,906	37,851,438	415,532
Expenditures:				
Instruction:				
Regular	31,255,874	29,813,054	18,467,335	11,345,719
Special	1,529,270	1,657,600	4,007,286	(2,349,686)
Vocational	100	8,500	99,996	(91,496)
Other	-	-	62,805	(62,805)
Support services:				
Pupils	1,171,318	1,160,501	2,364,541	(1,204,040)
Instructional Staff	212,175	89,000	684,491	(595,491)
Board of Education	37,300	94,532	100,170	(5,638)
Administration	96,728	74,500	2,274,138	(2,199,638)
Fiscal	837,859	772,750	1,052,312	(279,562)
Operation and Maintenance of Plant	1,576,307	1,449,000	3,298,147	(1,849,147)
Pupil Transportation	794,631	676,747	2,744,554	(2,067,807)
Central	476,237	459,500	536,030	(76,530)
Extracurricular Activities	-	-	321,287	(321,287)
Debt service:				
Principal Retirement	1,085,000	1,085,000	1,085,000	-
Interest and Fiscal Charges	28,424	28,424	26,491	1,933
Total Expenditures	39,101,223	37,369,108	37,124,583	244,525
Excess of Expenditures Over Revenues	(2,165,239)	66,798	726,855	660,057
Other Financing Sources (Uses):				
Sale of Capital Assets	5,784	5,862	5,927	65
Contingencies	(12,500)	-	-	-
Advances In	58,232	58,232	58,232	-
Advances Out	-	-	(47,487)	(47,487)
Total Other Financing Sources (Uses)	51,516	64,094	16,672	(47,422)
Net Change in Fund Balance	(2,113,723)	130,892	743,527	612,635
Fund Balances at Beginning of Year	4,429,603	4,429,603	4,429,603	-
Prior Year Encumbrances Appropriated	848,186	848,186	848,186	-
Fund Balances at End of Year	\$ 3,164,066	\$ 5,408,681	\$ 6,021,316	\$ 612,635

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2016

	Governmental Activities - Internal Service Fund
Assets:	
Cash and Cash Equivalents	\$ 2,658,720
Total Assets	2,658,720
Liabilities:	
Claims Payable	708,800
Unearned Revenue	449,970
Total Liabilities	1,158,770
Net Position:	
Unrestricted	1,499,950
Total Net Position	\$ 1,499,950

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 5,545,256
Total Operating Revenues	5,545,256
Operating Expenses:	
Purchased Services	477,406
Claims	4,124,424
Total Operating Expenses	4,601,830
Operating Income	943,426
Non-Operating Revenues:	
Interest Revenue	5,659
Total Non-Operating Revenues	5,659
Change in Net Position	949,085
Net Position Beginning of Year	550,865
Net Position End of Year	\$ 1,499,950

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 5,529,098
Cash payments for purchased services	(477,406)
Cash payments for claims	(4,079,124)
Net cash provided by operating activities	<u>972,568</u>
Cash flows from investing activities:	
Cash received from interest	5,659
Net cash provided by investing activities	<u>5,659</u>
Net increase in cash and cash equivalents	978,227
Cash and cash equivalents at beginning of year	1,680,493
Cash and cash equivalents at end of year	<u>\$ 2,658,720</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 943,426
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Claims payable	45,300
Unearned revenue	(16,158)
Net cash provided by operating activities	<u>\$ 972,568</u>

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
AS OF JUNE 30, 2016

	Student Managed <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 78,990
Total Assets	<u>78,990</u>
Liabilities	
Accounts Payable	237
Due to Students	78,753
Total Liabilities	<u>\$ 78,990</u>

See accompanying notes to the basic financial statements.

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LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, Jersey Township, St. Albans Township and Etna Township in Licking County and parts of Jefferson Township, the City of Reynoldsburg, City of New Albany and the City of Columbus in Franklin County. It is staffed by 158 classified employees and 262 certificated teaching personnel who provide services to 4063 students and other community members. The School District currently operates five instructional buildings, one administrative building, and a bus garage.

Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America 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 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, 2016

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 Position 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 Position 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. The internal service fund operating activities are eliminated to avoid overstatement of revenues and expenditures.

The Statement of Net Position 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 three categories: governmental, proprietary and fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Other Governmental Funds of the School District account for specific revenue sources that are restricted or assigned for specified purposes other than debt service.

Proprietary Funds

Internal Service Fund – The Internal Service Fund accounts for money received from other funds as payment for providing medical insurance. Payments are made to a third party administrator for claims payments, claims administration and stop-loss coverage.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for sales and services. Operating expenses for internal service fund includes the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the School District in a trustee or agency capacity for others and therefore cannot be used to support the School District's own programs. Fiduciary funds include pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The School District's only fiduciary fund is an agency fund which accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 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 and governmental fund statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, revenue in lieu of taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 nonexchange 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 as an advance, grants, investment earnings, tuition, and student fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refundings and for pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

For the School District, deferred inflows of resources include property taxes, revenue in lieu of taxes, unavailable revenue and pensions. Property taxes and revenue in lieu of taxes both represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental funds balance sheet. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the availability period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental revenue, and fee revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pensions are reported on the government-wide statement of net position (See Note 10).

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. 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.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Investments

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

During fiscal year 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), money market accounts, and negotiable certificates of deposit.

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, 2016.

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 and Other Governmental Funds during fiscal year 2016 amounted to \$21,384 and \$8,737, respectively. The portion of interest revenue credited to the General Fund that was earned on cash balances within other funds was insignificant.

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

G. Inventory

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets

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

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

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

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

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 Position.

J. Compensated Absences

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The entire sick leave benefit liability is reported on the government-wide financial statements. On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences” in the funds from which these payments will be made.

The amount is based on accumulated sick leave and employees’ wage rates at fiscal year-end, taking into consideration any limits specified in the School District’s termination policy.

K. Bond Premiums/Issuance Costs/Accretion

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. Bond issuance costs are expensed as incurred. 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.

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 and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories may be used:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – Fund balance is reported as committed when there are resources constrained for specific purposes that are internally imposed by formal action (resolution) of the government at the highest level of decision making authority, Board of Education.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

The School District applies restricted resources first when disbursements are incurred for purposes for which both restricted and unrestricted (assigned and unassigned) fund balance is available. Similarly, within unrestricted fund balance, assigned amounts are reduced first followed by the unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The School District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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.

P. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is 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.

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of District management and that are either unusual in nature or infrequent in occurrence. During the fiscal year, the School District did not incur any transactions that would be classified as an extraordinary item or special item.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3 – ACCOUNTABILITY

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

<u>Fund Name</u>	<u>Amount</u>
Title I Disadvantaged Children	\$ (51,515)
Improving Teacher Quality	(3,205)
Title III Limited English Proficiency	(3,586)
Title VI-B IDEA	(29,735)

The fund deficits listed above resulted from the application of accounting principles generally accepted in the United States of America.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (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 an assignment of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the School District's Public School Support Fund, no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, this fund is presented as part of the School District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance

GAAP Basis	\$	1,779,303
Adjustments:		
Public School Support Fund		(28,053)
Revenue Accruals		448,914
Expenditure Accruals		(1,386,667)
Advances, Net		10,745
Encumbrances		(80,715)
Budget Basis	<u>\$</u>	<u>743,527</u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

Deposits

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

At fiscal year-end, the carrying amount of the School District's deposits was \$11,119,815, and the bank balance was \$11,563,246. Of the District's bank balance, 9,449,511 was covered by federal deposit insurance while the remaining 2,113,735 was exposed to custodial credit risk. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Investments - At fiscal year-end, the School District had the following investments:

Investment Type	Fair Value	Percent of Total	Investment Maturities	
			Within 1 Year	1 to 2 Years
Money Market Funds	27,755	1.37%	27,755	-
Negotiable Certificates of Deposit	2,000,000	99%	-	2,000,000
Total	<u>\$ 2,027,755</u>	<u>100%</u>	<u>\$ 27,755</u>	<u>\$ 2,000,000</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the School District’s investments reported at fair value are valued using quoted market prices (Level 1 inputs).

In addition, at fiscal year-end, the School District reported an investment in STAR Ohio totaling \$8,421. In accordance with GASB Statement No. 79, the School District’s investment in STAR Ohio is reported at amortized cost. For the fiscal year ended June 30, 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates.

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

Credit Risk - STAROhio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District’s investment policy limits investments to those authorized by State statute. The School District has no investment policy that addresses credit risk. The School District’s money market fund was not rated.

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

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issuer except for commercial paper.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in calendar year 2016 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 2016 (other than public utility property tax) represents the collection of calendar year 2016 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.

Tangible personal property taxes received from telephone companies in calendar year 2016 were levied after October 1, 2015, on the value as of December 31, 2015. 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, 2016, are available to finance fiscal year 2016 operations. The amounts available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2016 taxes were collected are:

	<u>2015 Second Half Collections</u>		<u>2016 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 494,650,821	98.09%	\$ 499,241,150	95.39%
Public Utility Personal	9,617,130	1.91%	24,149,180	4.61%
Total	<u>\$ 504,267,951</u>	<u>100.00%</u>	<u>\$ 523,390,330</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 59.84		\$ 59.59	

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7 – RECEIVABLES

At fiscal year-end, receivables consisted of property taxes, revenue in lieu of taxes, intergovernmental grants, and interfund. All receivables are considered collectible in full and will be received within one year with the exception of property taxes and revenue in lieu of taxes. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Revenue in lieu of taxes will be received over the designated period established by the agreements.

A summary of the principal items of intergovernmental receivables follows:

<u>Description</u>	<u>Amount</u>
Improving Teacher Quality	\$ 7,965
Title III Limited English Proficiency	12,315
Title VI-B IDEA	93,680
Title I Disadvantaged Children	130,877
Total Intergovernmental Receivables	<u>\$ 244,837</u>

Revenue in Lieu of Taxes

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 3,418,147	\$ -	\$ -	\$ 3,418,147
Total Nondepreciable Assets	<u>3,418,147</u>	<u>-</u>	<u>-</u>	<u>3,418,147</u>
Depreciable Capital Assets				
Land Improvements	1,067,674	-	-	1,067,674
Buildings and Improvements	72,477,274	113,050	-	72,590,324
Furniture, Fixtures and Equipment	1,883,675	118,251	-	2,001,926
Vehicles	4,316,269	578,712	-	4,894,981
Total Depreciable Assets	<u>79,744,892</u>	<u>810,013</u>	<u>-</u>	<u>80,554,905</u>
Less accumulated depreciation				
Land Improvements	(437,282)	(81,779)	-	(519,061)
Buildings and Improvements	(19,310,536)	(1,574,958)	-	(20,885,494)
Furniture, Fixtures and Equipment	(1,476,157)	(109,862)	-	(1,586,019)
Vehicles	(3,158,001)	(176,764)	-	(3,334,765)
Total accumulated depreciation	<u>(24,381,976)</u>	<u>(1,943,363)</u>	<u>-</u>	<u>(26,325,339)</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>55,362,916</u>	<u>(1,133,350)</u>	<u>-</u>	<u>54,229,566</u>
Total Capital Assets, Net	<u>\$ 58,781,063</u>	<u>\$ (1,133,350)</u>	<u>\$ -</u>	<u>\$ 57,647,713</u>
Instruction Regular	\$ 1,571,777			
Instructional Staff	32,705			
Administration	7,763			
Operations and Maintenance	94,129			
Pupil Transportation	191,540			
Central	3,415			
Food Services	24,327			
Extracurricular Activities	17,707			
Total Depreciation Expense	<u>\$ 1,943,363</u>			

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 – RISK MANAGEMENT

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

Building and Contents replacement cost (\$1,000 deductible)	\$77,264,472
General Liability (per Occurrence)	\$1,000,000
Annual Aggregate	\$3,000,000
Personal and Advertising Injury Aggregate	\$1,000,000
Automobile Liability (\$1,000 deductible)	\$1,000,000
Uninsured Motorists (\$1,000 deductible)	\$100,000
Medical Payments	\$5,000
Educators Legal Liability (Each Wrongful Act)	\$1,000,000
Annual Aggregate	\$3,000,000
Employment Practices Liability (Each Wrongful Act \$5,000 deductible)	\$1,000,000
Annual Aggregate	\$3,000,000
Back Wages Limit (\$10,000 deductible)	\$50,000
Commercial Excess Liability (Each Occurrence)	\$5,000,000
Annual Aggregate	\$5,000,000

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

B. Employee Medical Insurance - The School District maintains an internal service “self-insurance” health insurance fund in connection with formalized risk management programs in an effort to minimize risk exposure and control claims and premium costs. The School District, effective January 1, 2015, contracted with Medical Mutual to be the third party administrator for the health insurance program.

A claims liability of \$708,800 at fiscal year-end in the self-insurance internal service fund reflects an estimate of incurred but unpaid claims liability. This liability was estimated by a third party based on claims experience. The School District has purchased stop loss coverage for individual employee claim amounts exceeding \$125,000. Unpaid claims at year-end are recorded as current claims payable because they would be due within 60 days from the end of the fiscal year.

A summary of the changes in the self-insurance claims liability for fiscal years 2016 and 2015 are as follows:

	Fiscal Year 2016	Fiscal Year 2015
Claims Liability at July 1	\$ 663,500	\$ -
Incurred Claims	4,124,424	1,976,390
Claims Paid	(4,079,124)	(1,312,890)
Claims Liability at June 30	<u>\$ 708,800</u>	<u>\$ 663,500</u>

C. Workers’ Compensation - The School District pays its workers’ compensation premium to the State based on its individual rate provided by Bureau of Workers Compensation. The School District has contracted with Comp Management to provide third party administration services and Hunter Consulting to provide managed care services.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B. There was no percentage allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$677,337 for fiscal year 2016. Of this amount \$83,938 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

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NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)

The School District’s contractually required contribution to STRS was \$2,147,576 for fiscal year 2016. Of this amount, \$292,751 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$8,042,972	\$36,389,416	\$44,432,388
Proportion of the Net Pension Liability	0.140954%	0.13166884%	
Pension Expense	\$617,594	\$3,237,691	\$3,855,285

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$127,124	\$1,645,049	\$1,772,173
Changes in proportionate share	283,791	4,756,461	5,040,252
District contributions subsequent to the measurement date	<u>677,337</u>	<u>2,147,576</u>	<u>2,824,913</u>
Total Deferred Outflows of Resources	<u>\$1,088,252</u>	<u>\$8,549,086</u>	<u>\$9,637,338</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$220,908</u>	<u>\$2,350,955</u>	<u>\$2,571,863</u>
Total Deferred Inflows of Resources	<u>\$220,908</u>	<u>\$2,350,955</u>	<u>\$2,571,863</u>

\$2,824,913 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$8,281	\$951,123	\$959,404
2018	8,281	951,123	959,404
2019	19,487	1,334,727	1,354,214
2020	153,958	813,582	967,540
Total	\$190,007	\$4,050,555	\$4,240,562

Actuarial Assumptions - SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 <u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

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NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$11,152,712	\$8,042,972	\$5,424,314

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

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NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$50,547,644	\$36,389,416	\$24,416,524

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, 2016 three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

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NOTE 11 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

The Ohio Revised Code provides the statutory authority to fund SERS’ postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contributions assigned to health care, including the surcharge, for the years ended June 30, 2016, 2015, and 2014 were \$79,732, \$102,360, and \$72,078, respectively. The entire amount has been contributed for fiscal years 2015 and 2014. For fiscal year 2016, the entire amount is reported as an intergovernmental payable.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS’ Health Care plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

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NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

The School District's required contributions for health care for the years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$132,288, respectively. The entire amount has been contributed for each fiscal year.

NOTE 12 – EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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NOTE 12 – EMPLOYEE BENEFITS (continued)

B. Insurance Benefits

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

C. Deferred Compensation

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

NOTE 13 – LEASES – LESSEE DISCLOSURE

The School District has entered into capitalized leases for buses and computers. Each lease meets the criteria of a capital lease, 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.

The buses and computers acquired by the leases were initially capitalized in the amounts of \$871,823 and \$30,525, respectively, 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 Position for governmental activities. Principal payments during the fiscal year of \$116,895 were paid from the Permanent Improvement Fund. At fiscal year-end the buses have accumulated depreciation of \$295,803 for a net book value of \$576,021. The computers acquired by the lease did not meet the School District’s capitalization threshold.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year	Principal	Interest	Total
2017	120,167	11,981	132,148
2018	123,533	8,615	132,148
2019	126,994	5,154	132,148
2020	67,698	1,594	69,292
Total	<u>\$ 438,392</u>	<u>\$ 27,344</u>	<u>\$ 465,736</u>

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NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2016 were as follows:

General Obligation Bonds:	Amounts Outstanding 6/30/15	Additions	Deductions	Amounts Outstanding 6/30/16	Amounts Due Within One Year
2000 School Improvement Bonds- 6.4%	\$ 880,000	\$ -	\$ (5,000)	\$ 875,000	5,000
2001 School Improvement Bonds- 4.55% to 6.0%					
Capital Appreciation Bonds (CABS)	40,700	-	(15,525)	25,175	13,487
Accretion on CABS	1,377,838	309,435	(594,475)	1,092,798	585,409
2004 School Improvement Bonds-					
Capital Appreciation Bonds (CABS)- 4.15% to 4.75%	10,000	-	(10,000)	-	-
Accretion on CABS	679,388	145,612	(825,000)	-	-
2005 School Construction Current Refunding Bonds					
Serial Bonds - 3.5% to 4.0%	60,000	-	(60,000)	-	-
Unamortized Premium	21,965	-	(21,965)	-	-
2005 School Bus Bonds					
Serial Bonds - 3.5% to 4.0%	105,000	-	(105,000)	-	-
Unamortized Premium	1,840	-	(1,840)	-	-
2005 School Improvement Advance Refunding Bonds					
Serial Bonds- 3.5% to 5.0%	85,000	-	(85,000)	-	-
Capital Appreciation Bonds (CABS)- 4.17% to 4.4%	174,994	-	-	174,994	15,421
Accretion on CABS	597,061	123,539	-	720,600	63,499
Unamortized Premium	271,784	-	(67,946)	203,838	-
2006 Advance Refunding Bonds- 4.0%					
Serial Bonds	3,130,000	-	-	3,130,000	-
Term Bonds	5,350,000	-	-	5,350,000	-
Capital Appreciation Bonds (CABS)	29,993	-	(3,478)	26,515	26,515
Accretion on CABS	717,577	321,669	(101,522)	937,724	937,724
Unamortized Premium	426,548	-	(44,899)	381,649	-
2007 Advance Refunding Bonds					
Serial Bonds- 4.0% to 4.3%	7,310,000	-	-	7,310,000	-
Term Bonds- 4.0% to 4.1%	1,615,000	-	(70,000)	1,545,000	75,000
Capital Appreciation Bonds (CABS)	49,998	-	-	49,998	-
Accretion on CABS	293,062	99,123	-	392,185	-
Unamortized Premium	351,157	-	(26,502)	324,655	-

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 – LONG-TERM OBLIGATIONS (continued)

	Amounts Outstanding 6/30/15	Additions	Deductions	Amounts Outstanding 6/30/16	Amounts Due Within One Year
General Obligation Bonds:					
2010A Certificates of Participation					
Serial Bonds	1,140,000	-	(370,000)	770,000	380,000
Unamortized Premium	13,731	-	(5,493)	8,238	-
2010B Certificates of Participation (QSCB)					
Serial Bonds	4,000,000	-	-	4,000,000	-
2010C Certificates of Participation					
Serial Bonds	4,020,000	-	-	4,020,000	-
2011 Advance Refunding Bonds					
Serial Bonds	7,190,000	-	(50,000)	7,140,000	200,000
Capital Appreciation Bonds (CABS)	425,000	-	-	425,000	-
Accretion on CABS	620,806	179,205	-	800,011	-
Unamortized Premium - CABS	373,113	-	(149,245)	223,868	-
Unamortized Premium - Serial Bonds	101,458	-	(15,609)	85,849	-
2012 Advance Refunding Bonds					
Serial Bonds	7,915,000	-	(250,000)	7,665,000	-
Capital Appreciation Bonds (CABS)	327,212	-	-	327,212	118,812
Accretion on CABS	905,766	262,650	-	1,168,416	342,745
Unamortized Premium - CABS	645,668	-	(227,868)	417,800	-
Unamortized Premium - Serial Bonds	38,741	-	(2,213)	36,528	-
2013 Advance Refunding Bonds					
Serial Bonds	14,840,000	-	(250,000)	14,590,000	255,000
Capital Appreciation Bonds (CABS)	529,980	-	-	529,980	-
Accretion on CABS	580,066	245,208	-	825,274	-
Unamortized Premium - CABS	1,283,920	-	(183,750)	1,100,170	-
General Obligation Bonds Payable	<u>68,529,366</u>	<u>1,686,441</u>	<u>(3,542,330)</u>	<u>66,673,477</u>	<u>3,018,612</u>
Net Pension Liability:					
SERS	6,759,143	1,283,829	-	8,042,972	-
STRS	30,108,387	6,281,029	-	36,389,416	-
Total Net Pension Liability	<u>36,867,530</u>	<u>7,564,858</u>	<u>-</u>	<u>44,432,388</u>	<u>-</u>
2013 Tax Anticipation Notes	2,180,000	-	(1,085,000)	1,095,000	1,095,000
Capital Leases	555,287	-	(116,895)	438,392	120,167
Compensated Absences	1,377,557	327,820	(377,177)	1,328,200	97,662
Total Long-Term Obligations	<u>\$ 109,509,740</u>	<u>\$ 9,579,119</u>	<u>\$ (5,121,402)</u>	<u>\$ 113,967,457</u>	<u>\$ 4,331,441</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2000 School Improvement Bonds

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

2001 School Improvement Bonds

On September 15, 2000, the School District issued \$24,049,032 in voted general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$11,825,000, \$12,150,000, and \$74,032, respectively. The School District received \$25,082,472 in bond proceeds. The bonds were issued for a 28 year period with final maturity at December 31, 2028. The debt proceeds were used to construct a new high school building with a multi-purpose area for school and community use, renovating and improving existing school buildings and facilities, and acquiring land. On June 1, 2005, \$4,950,000 of the serial bonds and \$12,150,000 of the term bonds were advance refunded.

The capital appreciation bonds were issued for \$74,032. The capital appreciation bonds will mature in fiscal years 2017 and 2018 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
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 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, an additional \$2,980,000 were refunded on October 11, 2007, and an additional \$7,820,000 in serial bonds were refunded with Series 2011 on December 22, 2011.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

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 1, 2032.

The term bonds, issued at \$3,170,000, that mature in 2032, were refunded with Series 2012 on March 6, 2012. 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. \$5,335,000 of the serial bonds were refunded with Series 2012 on March 6, 2012.

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 1, 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 1, 2028.

The term bonds, issued at \$2,110,000, that mature on December 1, 2028, were refunded with Series 2013 on May 16, 2013. 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. \$13,610,000 of the serial bonds were refunded with Series 2013 on May 16, 2013.

The capital appreciation bonds, issued at \$174,994, are not subject to prior redemption. 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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

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 1, 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>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$ 50,000
2019	55,000
2020	55,000
2021	60,000
2022	60,000

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

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2024	\$ 3,690,000
2025	1,380,000

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

The capital appreciation bonds, issued at \$29,993, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2017 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2017	1,165,000

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

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:

Fiscal Year	Principal Amount to be Redeemed
2017	75,000
2018	75,000
2019	80,000

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

Fiscal Year	Principal Amount to be Redeemed
2021	\$ 30,000
2022	30,000
2023	145,000
2024	35,000
2025	35,000
2026	1,040,000

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2011 Certificates of Participation

On September 1, 2010, the School District entered into a ground lease agreement with Licking Heights Alumni Association, Inc. (Association) whereas the District leases a parcel of land to the Association, and subsequently constructs school facilities on the land, and the Association, in turn, subleases the land, and leases the constructed school facilities to the District.

On September 1, 2010, the School District issued \$2,210,000 in Tax-Exempt Bond certificates of participation, Series 2010A, for the purpose of school facilities construction in the Ohio School Facilities Commission program. The maturity date for the serial bonds is December 1, 2017 with interest costs increasing each year from 2.0 to 2.75 percent. The proceeds of the bonds issued were reported in the capital project/building fund.

On September 1, 2010, the School District issued \$4,000,000 in Federal Taxable Qualified School Construction Bond certificates of participation, Series 2010B, for the purpose of school facilities construction in the Ohio School Facilities Commission program. The maturity date for the term bond is September 1, 2027 with interest costs of 5.50 percent. The proceeds of the bonds issued were reported in the capital project/building fund.

On September 1, 2010, the School District issued \$4,020,000 in Federal Taxable Build America Bond certificates of participation, Series 2010C, for the purpose of school facilities construction in the Ohio School Facilities Commission program. The maturity date for the term bonds is December 1, 2035 with interest costs from 6.0 to 6.5 percent. The proceeds of the bonds issued were reported in the capital project/building fund.

The Certificates of Participation evidence a proportionate interest in the base rent to be paid by the School District under the ground lease agreement. Base rent payments will be recorded as expenditures in the debt service fund.

The following is a summary of future base rent payments for the certificates of participation:

Fiscal Year	Principal	Interest	Total
2017	\$ 380,000	\$ 211,713	\$ 591,713
2018	390,000	201,600	591,600
2019	-	196,238	196,238
2020	-	196,238	196,238
2021	-	196,238	196,238
2022-2026	-	981,190	981,190
2027-2031	5,360,000	776,995	6,136,995
2032-2036	2,660,000	276,659	2,936,659
Total	<u>\$ 8,790,000</u>	<u>\$ 3,036,871</u>	<u>\$ 11,826,871</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2011 Advanced Refunding Bonds

On December 22, 2011, the School District issued \$7,820,000 in general obligation bonds for the purpose of refunding \$7,820,000 of the 2004 School Improvement Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of \$7,395,000 and \$425,000, respectively. The bonds were issued for a 10 year period, with final maturity in December 2021.

The serial bonds and capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2018 in the amount of \$1,495,000.

2012 Advanced Refunding Bonds

On March 6, 2012, the School District issued \$8,502,212 in general obligation bonds for the purpose of refunding \$8,505,000 of the 2005 School Construction Current Refunding Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of \$8,175,000 and \$327,212, respectively. The bonds were issued for a 20 year period, with final maturity in December 2032.

The serial bonds issued at \$8,175,000 and with final maturity dates after December 1, 2021 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, 2021 at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$327,212, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2017 through 2020 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2017	\$ 500,000
2018	495,000
2019	495,000
2020	500,000

2013 Advanced Refunding Bonds

On May 16, 2013, the School District issued \$15,719,980 in general obligation bonds for the purpose of refunding \$15,720,000 of the 2005 School Improvement Advance Refunding Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of \$15,190,000 and \$529,980, respectively. The bonds were issued for a 15 year period, with final maturity in December 2028.

The serial bonds issued at \$15,720,000 and with final maturity dates after December 1, 2029 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, 2028 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, 2016

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

The capital appreciation bonds, issued at \$529,980, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2019 through 2020 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2019	\$ 1,330,000
2020	1,390,000

2013 Tax Anticipation Notes

On June 21, 2013, the School District issued \$4,300,000 in tax anticipation notes in anticipation of the collection of proceeds of the \$4,400,000 emergency levy approved by electors of the School District at the election held May 7, 2013.

Principal and interest requirements to retire the School District’s outstanding debt at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	460,000	1,293,674	75,000	275,615	2,103,612	321,388
2018	260,000	1,288,613	125,000	271,615	2,204,684	615,316
2019	1,895,000	1,268,513	135,000	266,415	1,795,125	1,114,875
2020	980,000	1,230,142	55,000	262,615	1,392,461	1,572,539
2021	2,880,000	1,175,359	90,000	259,700	-	-
2022-2026	17,045,000	4,221,466	6,415,000	773,423	-	-
2027-2031	15,835,000	1,184,393	-	-	-	-
2032-2036	1,355,000	41,903	-	-	-	-
Total	\$ 40,710,000	\$ 11,704,063	\$ 6,895,000	\$ 2,109,383	\$ 7,495,882	\$ 3,624,118

Fiscal Year Ending June 30,	Tax Anticipation Notes	
	Principal	Interest
2017	1,095,000	11,351
Total	\$ 1,095,000	\$ 11,351

All general obligation bonds and tax anticipation notes will be retired from the Debt Service Fund and General Fund, respectively, with property tax revenues.

The School District pays obligations related to employee compensation from the fund benefiting from their service, including the general fund, food service fund and state and federal grant funds.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15 – INTERFUND ACTIVITY

During the fiscal year, the School District had transfers from the Permanent Improvement Fund to the Debt Service Fund. The transfers were for the debt service payments related to the bus purchase bonds.

At fiscal year-end, the General Fund had unpaid interfund cash advances in the amount of \$47,487, which represents short-term loans made to other funds of the School District. These loans are expected to be repaid within one year.

Unpaid interfund cash advances at fiscal year-end are as follows:

Fund Name	Amount
Title VI-B IDEA	\$ 17,547
Title III Limited English Proficiency	2,272
Title I Disadvantaged Children	26,056
Improving Teacher Quality	1,612
	\$ 47,487

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association - The School District is a participant in the Licking Area Computer Association (LACA), which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendent from all participating districts. The School District paid \$132,101 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, Ohio 43055.

B. Metropolitan Educational Technology Association - The School District participates in the Metropolitan Educational Technology Association (META). META is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 37 counties in Central Ohio. The META helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of META 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 and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to META to cover the costs of administering the program. The School District paid \$336 to META for membership during fiscal year 2016. Financial information may be obtained from the Metropolitan Educational Technology Association, David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, OH 43302.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (continued)

C. School Study Council of Ohio - The School Study Council of Ohio (the “Council”) is a jointly governed organization operated by a Board of Trustees (the “Board”) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and participate in Council discussions, but are not entitled to vote. The Board is annually elected from within the Council’s active membership. The Board consisted of 14 members. The School District did not make any payments to the Council during fiscal year 2016. Financial information may be obtained from the School Study Council of Ohio, at 2080 Citygate Drive, Columbus, OH 43219.

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

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

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

Financial information may be obtained from the State Support Team- Region 11, at 2080 Citygate Drive, Columbus, OH 43219.

NOTE 17 – 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 an equal amount for the acquisition and construction of capital improvements.

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

	Capital Acquisition
Set-aside cash balance as of June 30, 2015	\$ -
Current fiscal year set-aside requirement	636,254
Current fiscal year offsets	(912,927)
Set-aside Reserve Balance as of June 30, 2016	\$ (276,673)
Required Set-aside Balances Carried Forward to FY 2017	\$ -

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 17 – SET-ASIDE CALCULATIONS (continued)

Capital acquisition current year offsets presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District had current year offsets 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 18 – 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, 2016.

B. Litigation

The School District is party to legal proceedings with Reynoldsburg City School District for taxes received from 2007 to present. To date a settlement amount has yet to be determined.

The School District is party to various other legal proceedings. The School District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse effect on the School District's financial position.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional school districts must comply with minimum hours of instruction, instead of number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2016, the School District implemented *GASB Statement No. 72 “Fair Value Measurement and Application”* which enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government’s financial position. The implementation of this statement did not have a significant effect on the financial statements of the School District.

GASB Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68” improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of this statement did not have a significant effect on the financial statements of the District.

For fiscal year 2016, the School District implemented *GASB Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”* which improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The implementation of this statement did not have an effect on the financial statements of the School District.

For fiscal year 2016, the School District implemented *GASB Statement No. 79 “Certain External Investment Pools and Pool Participants”* which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the School District.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST THREE FISCAL YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.140954%	0.133555%	0.133555%
School District's Proportionate Share of the Net Pension Liability	\$ 8,042,972	\$ 6,759,143	\$ 7,942,088
School District's Covered-Employee Payroll	\$ 4,273,692	\$ 3,902,864	\$ 3,863,238
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	188.20%	173.18%	205.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST THREE FISCAL YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.13166884%	0.12378332%	0.123783%
School District's Proportionate Share of the Net Pension Liability	\$ 36,389,416	\$ 30,108,387	\$ 30,494,855
School District's Covered-Employee Payroll	\$ 14,224,836	\$ 14,363,069	\$ 12,212,484
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	255.82%	209.62%	249.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST NINE FISCAL YEARS (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$ 677,337	\$ 563,273	\$ 540,937	\$ 534,672	\$ 562,629	\$ 504,110	\$ 499,154	\$ 323,100	\$ 359,113
Contributions in relation to the contractually required contribution	<u>(677,337)</u>	<u>(563,273)</u>	<u>(540,937)</u>	<u>(534,672)</u>	<u>(562,629)</u>	<u>(504,110)</u>	<u>(499,154)</u>	<u>(323,100)</u>	<u>(359,113)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,838,121	\$ 4,273,692	\$ 3,902,864	\$ 3,863,238	\$ 4,183,113	\$ 4,010,422	\$ 3,686,514	\$ 3,283,537	\$ 3,656,955
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

(1) Information prior to 2008 is not available.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$ 2,147,576	\$ 1,991,477	\$ 1,867,199	\$ 1,587,623	\$ 1,651,494	\$ 1,607,164	\$ 1,495,773	\$ 1,393,724	\$ 1,238,345	\$ 1,194,060
Contributions in relation to the contractually required contribution	<u>(2,147,576)</u>	<u>(1,991,477)</u>	<u>(1,867,199)</u>	<u>(1,587,623)</u>	<u>(1,651,494)</u>	<u>(1,607,164)</u>	<u>(1,495,773)</u>	<u>(1,393,724)</u>	<u>(1,238,345)</u>	<u>(1,194,060)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 15,339,830	\$ 14,224,836	\$ 14,363,069	\$ 12,212,484	\$ 12,703,800	\$ 12,362,800	\$ 11,505,946	\$ 10,720,954	\$ 9,525,731	\$ 9,185,077
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

SUPPLEMENTARY INFORMATION

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Grant Cluster:			
(D) (E) School Breakfast Program	10.553	2016	\$ 335,732
(D) (E) National School Lunch Program	10.555	2016	691,878
(C) (D) National School Lunch Program - Food Donation	10.555	2016	85,415
Total National School Lunch Program			<u>777,293</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>1,113,025</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2015	100,894
Title I Grants to Local Educational Agencies	84.010	2016	599,714
Total Title I Grants to Local Educational Agencies			<u>700,608</u>
Special Education Grant Cluster:			
(F) Special Education_Grants to States	84.027	2015	54,462
(F) Special Education_Grants to States	84.027	2016	456,753
Total Special Education _Grants to States			<u>511,215</u>
(F) Special Education_Preschool Grants	84.173	2016	11,890
Total Special Education Grant Cluster			<u>523,105</u>
English Language Acquisition State Grants	84.365	2015	10,354
English Language Acquisition State Grants	84.365	2016	46,880
Total English Language Acquisition State Grants			<u>57,234</u>
Improving Teacher Quality State Grants	84.367	2015	6,295
Improving Teacher Quality State Grants	84.367	2016	34,113
Total Improving Teacher Quality State Grants			<u>40,408</u>
Total U.S. Department of Education			<u>1,321,355</u>
Total Federal Financial Assistance			<u>\$ 2,434,380</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Licking Heights Local School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Licking Heights Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Licking Heights Local School District.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



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**Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements 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 and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Licking Heights Local School District's basic financial statements and have issued our report thereon dated December 27, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Licking Heights Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Licking Heights Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Licking Heights Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

Board of Education
Licking Heights Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Licking Heights Local School 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, opining 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*.

Licking Heights Local School District's Response to Finding

The Licking Heights Local School District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit Licking Heights Local School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Licking Heights Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Licking Heights Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 27, 2016



Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Licking Heights Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Licking Heights Local School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Licking Heights Local School District's major federal program.

Management's Responsibility

The Licking Heights Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Licking Heights Local School District's compliance for the Licking Heights Local School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Licking Heights Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Licking Heights Local School District's major program. However, our audit does not provide a legal determination of the Licking Heights Local School District's compliance.

Board of Education
Licking Heights Local School District

Opinion on the Major Federal Program

In our opinion, the Licking Heights Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

The Licking Heights Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Licking Heights Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Licking Heights Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2016-002.

The Licking Heights Local School District's response in internal control over compliance finding we identified is described in the accompanying schedule of findings and corrective action plan. We did not audit the Licking Heights Local School District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 27, 2016

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	Yes
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Cluster
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Significant Deficiency - Payroll Controls

Finding Number 2016-002 describes a deficiency in payroll controls. We believe this finding also represents a significant deficiency under auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS			
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Finding Number	2016-002		
CFDA Title and Number	Child Nutrition Cluster: School Breakfast Program 10.553, National School Lunch Program 10.555		
Federal Award Identification Number/Year	2016		
Federal Agency	U.S. Department of Agriculture		
Pass-Through Entity	Ohio Department of Education		
Repeat Finding from Prior Audit	No	Finding Number	N/A

Significant Deficiency - Payroll Controls

Proper controls over the payroll process help ensure that payrolls contain no errors, whether due to fraud or error.

We noted three payroll overpayments, to three separate individuals in the amount of \$100, \$116 and \$57.

Without proper controls over payroll, variances, whether due to fraud or error, could occur. In addition, employees and the public could lose confidence in the Treasurer's office to properly manage District finances.

We recommend the District implement additional controls over the payroll process. Such controls may consist of the District implementing additional checks and balances over all data input into the payroll system to help ensure accuracy.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The District employed a new payroll clerk during the fiscal year. The Treasurer implemented several payroll controls and provided oversight in the payroll office to ensure payroll accuracy in the future.	June 30, 2017	David Varda, Treasurer

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Dave Yost • 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, 2017