

LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING COUNTY

SINGLE AUDIT

June 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Education
Licking Valley Local School District
1379 Licking Valley Rd. NE
Newark, OH 43055

We have reviewed the independent auditor's report of the Licking Valley Local School District, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

December 31, 2001

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**Licking Valley Local School District
Licking County, Ohio**

June 30, 2001

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

Independent Auditor's Report

We have audited the accompanying general-purpose financial statements of Licking Valley Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

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

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Wilson, Shannon & Sons, Inc.

Newark, Ohio
December 7, 2001

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**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,622,941	\$ 171,916	\$ 702,704	\$ 3,411,384
Receivables:				
Taxes	4,785,985	-	1,710,911	-
Accounts	2,499	1,557	-	-
Intergovernmental	-	-	-	-
Income Tax	632,563	-	-	-
Materials and Supplies Inventory	-	-	-	-
Prepaid Items	26,797	-	-	-
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	332,368	-	-	-
Fixed Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
Other Debits:				
Amount Available in Debt Service Funds	-	-	-	-
Amount to be Provided for Debt Retirement	-	-	-	-
Total Assets and Other Debits	<u>\$ 7,403,153</u>	<u>\$ 173,473</u>	<u>\$ 2,413,615</u>	<u>\$ 3,411,384</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 76,083	\$ 2,168	\$ -	\$ -
Contracts Payable	-	-	-	399,885
Accrued Wages and Benefits	981,337	9,487	-	-
Compensated Absences Payable	163,855	-	-	-
Intergovernmental Payable	183,673	-	-	-
Deferred Revenue	4,617,570	-	1,604,911	-
Due to Students	-	-	-	-
Capital Leases Payable	-	-	-	-
Energy Conservation Loan Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	<u>6,022,518</u>	<u>11,655</u>	<u>1,604,911</u>	<u>399,885</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Encumbrances	371,785	26,460	-	1,819,257
Reserved for Prepaid Items	26,797	-	-	-
Reserved for Debt Service Principal	-	-	521,751	-
Reserved for Property Taxes	284,000	-	106,000	-
Reserved for Textbooks & Instructional Materials	10,132	-	-	-
Reserved for Budget Stabilization	322,236	-	-	-
Unreserved:				
Unreserved, Undesignated	365,685	135,358	180,953	1,192,242
Total Fund Equity and Other Credits	<u>1,380,635</u>	<u>161,818</u>	<u>808,704</u>	<u>3,011,499</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 7,403,153</u>	<u>\$ 173,473</u>	<u>\$ 2,413,615</u>	<u>\$ 3,411,384</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 15,988	\$ 38,156	\$ -	\$ -	\$ 5,963,089
-	-	-	-	6,496,896
-	-	-	-	4,056
15,302	-	-	-	15,302
-	-	-	-	632,563
6,962	-	-	-	6,962
-	-	-	-	26,797
-	-	-	-	332,368
164,490	-	27,245,590	-	27,410,080
(136,404)	-	-	-	(136,404)
-	-	-	808,704	808,704
-	-	-	16,108,178	16,108,178
<u>\$ 66,338</u>	<u>\$ 38,156</u>	<u>\$ 27,245,590</u>	<u>\$ 16,916,882</u>	<u>\$ 57,668,591</u>
\$ -	\$ 2,141	\$ -	\$ -	\$ 80,392
-	-	-	-	399,885
3,084	-	-	-	993,908
10,525	-	-	635,428	809,808
28,887	-	-	101,804	314,364
1,448	-	-	-	6,223,929
-	34,900	-	-	34,900
-	-	-	319,650	319,650
-	-	-	75,000	75,000
-	-	-	15,785,000	15,785,000
<u>43,944</u>	<u>37,041</u>	<u>-</u>	<u>16,916,882</u>	<u>25,036,836</u>
\$ -	\$ -	\$ 27,245,590	\$ -	\$27,245,590
22,394	-	-	-	22,394
-	75	-	-	2,217,577
-	-	-	-	26,797
-	-	-	-	521,751
-	-	-	-	390,000
-	-	-	-	10,132
-	-	-	-	322,236
-	1,040	-	-	1,875,278
<u>22,394</u>	<u>1,115</u>	<u>27,245,590</u>	<u>-</u>	<u>32,631,755</u>
<u>\$ 66,338</u>	<u>\$ 38,156</u>	<u>\$ 27,245,590</u>	<u>\$ 16,916,882</u>	<u>\$ 57,668,591</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$ 7,312,581	\$ 591,785
Interest	149,430	-
Tuition and Fees	90,554	-
Rent	11,394	-
Extracurricular Activities	-	384,005
Gifts and Donations	411,250	20,185
Customer Services	-	46,050
Income Tax	1,495,078	-
Property & Other Local Taxes	3,041,412	-
Miscellaneous	22,942	-
Total Revenues	12,534,641	1,042,025
Expenditures:		
Instruction:		
Regular	5,538,773	254,797
Special	818,645	216,466
Vocational	219,012	-
Support services:		
Pupils	407,820	7,226
Instructional Staff	633,427	56,467
Board of Education	381,034	-
Administration	1,267,046	158,194
Fiscal	340,745	6,268
Business	17,647	-
Operation and Maintenance of Plant	1,397,814	5,134
Pupil Transportation	1,059,484	-
Non-Instructional Services	-	-
Extracurricular activities	143,264	294,569
Capital Outlay	477,652	-
Debt Service		
Debt Service - Principal	47,540	-
Debt Service - Interest	16,135	-
Total Expenditures	12,766,038	999,121
Excess of Revenues Over (Under) Expenditures	(231,397)	42,904
Other Financing Sources and Uses		
Operating Transfers In	-	8,316
Proceeds from Sale of Fixed Assets	2,906	-
Refund of Prior Year Expenditures	28,740	-
Inception of Capital Lease	324,407	-
Other Financing Sources	8,139	-
Operating Transfers Out	(461,116)	-
Total Other Financing Sources (Uses)	(96,924)	8,316
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(328,321)	51,220
Fund Balance at Beginning of Year	1,708,956	110,598
Fund Balance at End of Year	\$ 1,380,635	\$ 161,818

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust		
\$ 115,497	\$ 224,059	\$ -	\$	8,243,922
-	305,124	-		454,554
-	-	-		90,554
-	-	-		11,394
-	-	-		384,005
-	2,236	-		433,671
-	-	2,705		48,755
-	-	-		1,495,078
1,104,964	-	-		4,146,376
-	-	-		22,942
<u>1,220,461</u>	<u>531,419</u>	<u>2,705</u>		<u>15,331,251</u>
-	171,742	-		5,965,312
-	-	-		1,035,111
-	-	-		219,012
-	-	-		415,046
-	7,750	-		697,644
-	-	-		381,034
-	-	-		1,425,240
-	-	-		347,013
-	500	-		18,147
-	1,816	-		1,404,764
-	-	-		1,059,484
-	-	3,527		3,527
-	-	-		437,833
-	5,786,032	-		6,263,684
450,000	-	-		497,540
715,435	-	-		731,570
<u>1,165,435</u>	<u>5,967,840</u>	<u>3,527</u>		<u>20,901,961</u>
<u>55,026</u>	<u>(5,436,421)</u>	<u>(822)</u>		<u>(5,570,710)</u>
-	502,800	-		511,116
-	-	-		2,906
-	-	-		28,740
-	-	-		324,407
-	-	-		8,139
-	(100,000)	-		(561,116)
-	<u>402,800</u>	-		<u>314,192</u>
55,026	(5,033,621)	(822)		(5,256,518)
753,678	8,045,120	1,937		10,620,289
<u>\$ 808,704</u>	<u>\$ 3,011,499</u>	<u>\$ 1,115</u>	<u>\$</u>	<u>5,363,771</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2001**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 7,318,515	\$ 7,317,755	\$ (760)
Interest	149,500	149,430	(70)
Tuition and Fees	111,715	111,634	(81)
Rent	11,450	11,394	(56)
Extracurricular Activities	-	-	-
Gifts and Donations	411,300	411,250	(50)
Customer Services	-	-	-
Income Tax	1,475,300	1,475,216	(84)
Property & Other Local Taxes	2,915,000	2,914,301	(699)
Miscellaneous	21,191	21,183	(8)
Total Revenues	12,413,971	12,412,163	(1,808)
Expenditures:			
Instruction:			
Regular	5,388,619	5,446,809	(58,190)
Special	787,230	789,853	(2,623)
Vocational	215,515	216,470	(955)
Support services:			
Pupils	379,660	378,478	1,182
Instructional Staff	637,605	637,610	(5)
Board of Education	364,435	378,867	(14,432)
Administration	1,225,555	1,234,171	(8,616)
Fiscal	396,610	400,956	(4,346)
Business	17,735	17,695	40
Operation and Maintenance of Plant	1,473,415	1,533,675	(60,260)
Pupil Transportation	985,792	1,207,527	(221,735)
Non-Instructional Services	-	-	-
Extracurricular activities	143,985	143,103	882
Capital Outlay	212,446	255,424	(42,978)
Debt Service			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	12,228,602	12,640,638	(412,036)
Excess of Revenues Over (Under) Expenditures	185,369	(228,475)	(413,844)
Other Financing Sources and Uses			
Operating Transfers In	-	-	-
Proceeds from Sale of Fixed Assets	2,915	2,906	(9)
Refund of Prior Year Expenditures	33,120	33,110	(10)
Other Financing Sources	8,164	8,139	(25)
Operating Transfers Out	(461,116)	(461,116)	-
Total Other Financing Sources (Uses)	(416,917)	(416,961)	(44)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(231,548)	(645,436)	(413,888)
Fund Balances at Beginning of Year	1,885,484	1,885,484	-
Prior Year Encumbrances Appropriated	462,157	462,157	-
Fund Balance at end of Year	\$ 2,116,093	\$ 1,702,205	\$ (413,888)

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 596,311	\$ 596,311	\$ -	\$ 115,500	\$ 115,497	\$ (3)
-	-	-	-	-	-
-	-	-	-	-	-
384,460	383,807	(653)	-	-	-
20,239	20,185	(54)	-	-	-
46,120	46,050	(70)	-	-	-
-	-	-	-	-	-
-	-	-	1,062,075	1,062,075	-
-	-	-	-	-	-
<u>1,047,130</u>	<u>1,046,353</u>	<u>(777)</u>	<u>1,177,575</u>	<u>1,177,572</u>	<u>(3)</u>
254,721	255,816	(1,095)	-	-	-
220,538	222,319	(1,781)	-	-	-
-	-	-	-	-	-
7,578	7,706	(128)	-	-	-
56,389	56,389	-	-	-	-
-	-	-	-	-	-
164,211	164,146	65	-	-	-
6,368	6,368	-	-	-	-
-	-	-	-	-	-
5,134	5,134	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
304,596	314,334	(9,738)	-	-	-
-	-	-	-	-	-
-	-	-	450,000	450,000	-
-	-	-	715,435	715,435	-
<u>1,019,535</u>	<u>1,032,212</u>	<u>(12,677)</u>	<u>1,165,435</u>	<u>1,165,435</u>	<u>-</u>
<u>27,595</u>	<u>14,141</u>	<u>(13,454)</u>	<u>12,140</u>	<u>12,137</u>	<u>(3)</u>
8,316	8,316	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,316</u>	<u>8,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
35,911	22,457	(13,454)	12,140	12,137	(3)
104,620	104,620	-	521,752	521,752	-
16,711	16,711	-	-	-	-
<u>\$ 157,242</u>	<u>\$ 143,788</u>	<u>\$ (13,454)</u>	<u>\$ 533,892</u>	<u>\$ 533,889</u>	<u>\$ (3)</u>

(Continued)

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2001**

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 224,059	\$ 224,059	\$ -
Interest	305,124	305,124	-
Tuition and Fees	-	-	-
Rent	-	-	-
Extracurricular Activities	-	-	-
Gifts and Donations	2,236	2,236	-
Customer Services	-	-	-
Income Tax	-	-	-
Property & Other Local Taxes	-	-	-
Miscellaneous	-	-	-
Total Revenues	531,419	531,419	-
Expenditures:			
Instruction:			
Regular	173,522	173,522	-
Special	-	-	-
Vocational	-	-	-
Support services:			
Pupils	-	-	-
Instructional Staff	7,750	7,750	-
Board of Education	-	-	-
Administration	-	-	-
Fiscal	-	-	-
Business	500	500	-
Operation and Maintenance of Plant	-	-	-
Pupil Transportation	-	-	-
Non-Instructional Services	-	-	-
Extracurricular activities	-	-	-
Capital Outlay	4,448,376	8,219,159	(3,770,783)
Debt Service	-	-	-
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	4,630,148	8,400,931	(3,770,783)
Excess of Revenues Over (Under) Expenditures	(4,098,729)	(7,869,512)	(3,770,783)
Other Financing Sources and Uses			
Operating Transfers In	502,800	502,800	-
Proceeds from Sale of Fixed Assets	-	-	-
Refund of Prior Year Expenditures	-	-	-
Other Financing Sources	-	-	-
Operating Transfers Out	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	402,800	402,800	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,695,929)	(7,466,712)	(3,770,783)
Fund Balances at Beginning of Year	4,904,413	4,904,413	-
Prior Year Encumbrances Appropriated	3,754,541	3,754,541	-
Fund Balance at end of Year	\$ 4,963,025	\$ 1,192,242	\$ (3,770,783)

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Types			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 8,254,385	\$ 8,253,622	\$ (763)
-	-	-	454,624	454,554	(70)
-	-	-	111,715	111,634	(81)
-	-	-	11,450	11,394	(56)
-	-	-	384,460	383,807	(653)
-	-	-	433,775	433,671	(104)
3,233	3,208	(25)	49,353	49,258	(95)
-	-	-	1,475,300	1,475,216	(84)
-	-	-	3,977,075	3,976,376	(699)
-	-	-	21,191	21,183	(8)
<u>3,233</u>	<u>3,208</u>	<u>(25)</u>	<u>15,173,328</u>	<u>15,170,715</u>	<u>(2,613)</u>
-	-	-	5,816,862	5,876,147	(59,285)
-	-	-	1,007,768	1,012,172	(4,404)
-	-	-	215,515	216,470	(955)
-	-	-	387,238	386,184	1,054
-	-	-	701,744	701,749	(5)
-	-	-	364,435	378,867	(14,432)
-	-	-	1,389,766	1,398,317	(8,551)
-	-	-	402,978	407,324	(4,346)
-	-	-	18,235	18,195	40
-	-	-	1,478,549	1,538,809	(60,260)
-	-	-	985,792	1,207,527	(221,735)
3,765	3,602	163	3,765	3,602	163
-	-	-	448,581	457,437	(8,856)
-	-	-	4,660,822	8,474,583	(3,813,761)
-	-	-	450,000	450,000	-
-	-	-	715,435	715,435	-
<u>3,765</u>	<u>3,602</u>	<u>163</u>	<u>19,047,485</u>	<u>23,242,818</u>	<u>(4,195,333)</u>
<u>(532)</u>	<u>(394)</u>	<u>138</u>	<u>(3,874,157)</u>	<u>(8,072,103)</u>	<u>(4,197,946)</u>
-	-	-	511,116	511,116	-
-	-	-	2,915	2,906	(9)
-	-	-	33,120	33,110	(10)
-	-	-	8,164	8,139	(25)
-	-	-	(561,116)	(561,116)	-
-	-	-	(5,801)	(5,845)	(44)
(532)	(394)	138	(3,879,958)	(8,077,948)	(4,197,990)
1,434	1,434	-	7,417,703	7,417,703	-
-	-	-	4,233,409	4,233,409	-
<u>\$ 902</u>	<u>\$ 1,040</u>	<u>\$ 138</u>	<u>\$ 7,771,154</u>	<u>\$ 3,573,164</u>	<u>\$ (4,197,990)</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary Fund Types
For the Year Ended June 30, 2001**

**Proprietary
Fund Types**

Enterprise

Operating Revenues:

Sales	\$361,376
Other	37,009
Total Operating Revenues	<u>398,385</u>

Operating Expenses:

Salaries	172,868
Fringe Benefits	49,481
Purchased Services	1,778
Materials and Supplies	311,669
Depreciation	3,001
Other	3,509
Total Operating Expenses	<u>542,306</u>
Operating (Loss)	<u>(143,921)</u>

Non-Operating Revenues and Expenses:

Federal Donated Commodities	7,072
Interest	178
Federal and State Subsidies	106,787
Loss on Sale of Fixed Assets	(403)
Total Non-Operating Revenues and Expenses	<u>113,634</u>
(Loss) Before Operating Transfers	<u>(30,287)</u>
Operating Transfers-In	<u>50,000</u>
Net Income	19,713
Retained Earnings at Beginning of Year	2,681
Retained Earnings at End of Year	<u><u>\$22,394</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 2001**

	Proprietary Fund Types
	Enterprise
(Decrease) in Cash and Cash Equivalent	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$361,604
Other Cash Receipts	37,009
Cash Payments to Suppliers for Goods and Service	(305,990)
Cash Payments for Contract Services	(1,838)
Cash Payments for Employee Services	(189,765)
Cash Payments for Employee Benefits	(60,303)
Other Cash Payments	(3,449)
Net Cash (Used) by Operating Activities	(162,732)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	91,485
Transfers In	50,000
Net Cash Provided by Noncapital Financing Activities	141,485
Cash Flows from Investing Activities:	
Interest Received	178
Net (Decrease) in Cash and Cash Equivalents	(21,069)
Cash and Cash Equivalents at Beginning of Year	37,057
Cash and Cash Equivalents at End of Year	\$15,988
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	(\$143,921)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:	
Depreciation	3,001
Donated Commodities Used During the Year	7,072
(Increase) Decrease in Assets:	
Accounts Receivable	228
Material and Supplies Inventory	(337)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	(4,394)
Intergovernmental Payable	(11,124)
Deferred Revenue	(1,056)
Accrued Wages and Benefits	(12,201)
Total Adjustments	(18,811)
Net Cash (Used) by Operating Activities	(\$162,732)

The notes to the general-purpose financial statements are an integral part of this statement.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 138 square miles. It is located in Licking County, and includes the Village of Hanover and portions of Mary Ann, Perry, Harrison and Hanover Townships. The School District is the 266th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 87 non-certificated employees and 131 certificated full-time teaching personnel who provide services to 2,082 students and other community members. The School District currently operates 6 instructional buildings.

Reporting Entity:

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Licking Valley 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 does not have any component units.

The School District is associated with four organizations, which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Licking County Vocational School, the Central Ohio Special Education Regional Resource Center, the Metropolitan Education Council, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

Capital Projects Funds - The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

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

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Fiduciary Fund Types:

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

Account Groups:

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Appropriations:

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

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

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2001, investments were limited to repurchase agreements and STAR Ohio. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

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

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Non-Reimbursable Grants

Special Revenue Funds

- Career Development
- Teacher Development
- Professional Development Block Grant
- Education Management Information Systems
- Data Communications
- School Net Professional Development
- Textbook/Instructional Materials Subsidy
- Ohio Reads Grant
- Summer Intervention
- Extended Learning Opportunity
- Safe School Help Line
- Title VI-B
- Title I
- Title VI
- Drug Free School Grant
- FCC E-Rate Fund
- Title VI-R

Capital Projects Funds

- School Net Plus
- Technology Equity
- School Net Power Up

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 53 percent of the School District's operating revenue during the 2001 fiscal year.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those, the School District has identified as probable of receiving payment in the future.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 20 years of current service with the School District, or after 15 years of service and at least 45 years of age, or after 5 years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

L. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

N. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepaid items, property taxes, budget stabilization, and textbook purchases.

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

O. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2001, the Title I and the Reducing Class Size Funds had deficit fund balances of \$472 and \$147, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

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

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$645,436)	\$22,457	\$12,137	(\$7,466,712)	(\$394)
Adjustment for:					
Revenue Accruals	122,478	(4,328)	42,889	-	(503)
Expenditure Accruals	(547,318)	4,963	-	213,950	-
Other Sources/Uses	320,037	-	-	-	-
Encumbrances	421,918	28,128	-	2,219,141	75
GAAP Basis	(\$328,321)	\$51,220	\$55,026	(\$5,033,621)	(\$822)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawal 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 two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

Interim monies to be deposited or invested in the following securities:

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

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of any securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$258,785) and the bank balance was \$115,080. Of the bank balance, \$100,000 was covered by federal depository insurance.

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

	Category 3	Carrying Value	Market Value
Repurchase Agreement	\$5,537,837	\$5,537,837	\$5,537,837
STAR Ohio	-	1,016,405	1,016,405
Totals	<u>\$5,537,837</u>	<u>\$6,554,242</u>	<u>\$6,554,242</u>

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

The following information classifies deposits and investments by categories of risk as defined in *GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements"*.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$6,295,457	\$ -
Investment:		
STAR Ohio	(1,016,405)	1,016,405
Repurchase Agreement	(5,537,837)	5,537,837
<i>GASB Statement No. 3</i>	(\$258,785)	\$6,554,242

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes 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.

The School District receives property taxes from Licking County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$284,000 in the General Fund and \$106,000 in the Bond Retirement Debt Service Fund.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$112,431,500	82%	\$116,878,480	80%
Public Utility	17,079,340	12%	17,030,070	12%
Tangible Personal Property	7,765,970	6%	11,101,950	8%
Total Assessed Value	<u>\$137,276,810</u>	<u>100%</u>	<u>\$145,010,500</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$40.90		\$40.48	

NOTE 7 - INCOME TAX

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes Receivable	\$4,785,985
Accounts Receivable	2,499
Income Tax	632,563
Special Revenue Funds	
Accounts Receivable	1,557
Debt Service Funds	
Taxes Receivable	1,710,911
Enterprise Fund	
Intergovernmental	15,302
Total Receivables	<u>\$7,148,817</u>

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$164,490
Less: Accumulated Depreciation	(136,404)
Net Fixed Assets	<u>\$28,086</u>

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$442,950	\$-	\$-	\$442,950
Buildings	4,994,535	1,661,633	-	6,656,168
Furniture and Equipment	2,333,020	1,603,586	47,981	3,888,625
Vehicles	1,573,288	-	-	1,573,288
Construction In Progress	11,890,481	2,794,078	-	14,684,559
Totals	\$21,234,274	\$6,059,297	\$47,981	\$27,245,590

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District's insurance coverage was as follows:

Type of Coverage	Deductible	Liability Limit
Building and Contents	\$1,000	\$15,770,826
Inland Marine Coverage		
Computer Hardware	250	124,613
Computer Software	250	28,634
Mechanical Breakdown	1,000	-
Musical Instruments	100	100,910
Automobile Liability	100	1,000,000
Uninsured Motorists	100	1,000,000
General Liability		
Per occurrence	0	2,000,000
Per year	0	5,000,000

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

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Licking Valley Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$300,753, \$277,496, and \$260,226, respectively; 51 percent has been contributed for 2001 and 100 percent for fiscal years 2000 and 1999. \$147,168 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Licking Valley Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$853,055, \$773,641, and \$712,118, respectively; which were equal to the required contributions for each year.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the latest information available, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 265 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 46 days for all employees.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

Bargaining unit members, who retire under STRS criteria, may receive a retirement incentive payment of ten thousand dollars (\$10,000). In order to qualify for this benefit, the bargaining unit member must give written notice to the Superintendent on or before March 15 of the year of retirement.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through National Term Life.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of a copier have been capitalized in the general fixed assets account group in the amount of \$30,578. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$6,408 in the governmental funds.

General fixed assets consisting of a Kodak finisher have been capitalized in the general fixed assets account group in the amount of \$68,600. This amount represents the present value of the minimum lease payments plus the value of a copier traded in at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$10,956 in the governmental funds.

General fixed assets consisting of 14 copy machines have been capitalized in the general fixed assets account group in the amount of \$214,887. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$30,176 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

Fiscal Year Ending June 30,	Kodak Finisher	Copier	Midwest Bankers	Danka Copiers
2002	\$12,720	\$7,440	\$26,622	\$52,218
2003	4,241	2,481	26,621	52,217
2004	-	-	26,622	52,218
2005	-	-	26,621	52,218
2006	-	-	26,622	8,703
Less: Amount Representing Interest	(924)	(540)	(23,588)	(32,862)
Present Value of Net Minimum Lease Payments	<u>\$16,037</u>	<u>\$9,381</u>	<u>\$109,520</u>	<u>\$184,712</u>

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 07/01/00	Additions	Deductions	Balance at 06/30/01
Building Construction Bonds	\$16,160,000	\$ -	\$375,000	\$15,785,000
Energy Conservation Notes	150,000	-	75,000	75,000
Capital Leases	42,783	324,407	47,540	319,650
Pension Obligation	82,505	19,299	-	101,804
Compensated Absences	635,542	-	114	635,428
Total long term Obligations	<u>\$17,070,830</u>	<u>\$343,706</u>	<u>\$497,654</u>	<u>\$16,916,882</u>

The Building Construction Bonds are dated 4/1/99 and issued in the amount of \$16,360,000 with stated interest rate of 3% to 5% and a final maturity date of 12/01/25. The beginning balance of the general obligation bonds has been adjusted to capture the value of capital appreciation bonds included in the original issue that mature in 2005 and 2006.

Energy Conservation Loan - On January 1, 1992, the Licking Valley Local School District issued \$600,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten-year period with final maturity during fiscal year 2002, bearing a current interest rate of 5.90%. The loan will be retired from the debt service fund.

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

The School District's voted legal debt margin was \$2,734,055 with an unvoted debt margin of \$145,011 at June 30, 2001.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$465,000	\$355,674	\$820,674
2003	400,000	344,326	744,326
2004	415,000	336,926	751,926
2005	430,000	329,041	759,041
2006	450,000	320,656	770,656
thereafter	13,700,000	4,081,361	17,781,361
Total	<u>\$15,860,000</u>	<u>\$5,767,984</u>	<u>\$21,627,984</u>

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and special enterprise. The table below reflects the more significant financial data relating to the enterprise funds of the Licking Valley Local School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Special Enterprise	Total Enterprise Funds
Operating Revenues	\$349,589	\$11,787	\$37,009	\$398,385
Depreciation Expense	3,001	-	-	3,001
Operating Income (Loss)	(141,913)	388	(2,396)	(143,921)
Donated Commodities	7,072	-	-	7,072
Interest	178	-	-	178
Grants	106,787	-	-	106,787
Loss on Sale of Fixed Assets	(403)	-	-	(403)
Operating Transfers-In	50,000	-	-	50,000
Net Income (Loss)	21,721	388	(2,396)	19,713
Net Working Capital	(14,568)	2,855	6,021	(5,692)
Total Assets	57,462	2,855	6,021	66,338
Total Liabilities	43,944	-	-	43,944
Total Equity	13,518	2,855	6,021	22,394

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

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

Metropolitan Education Council - The School District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2001 was \$799. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio, 43232.

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001**

NOTE 18 - INSURANCE PURCHASING POOL

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

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

NOTE 19- CONTINGENCIES

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, 2001.

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had contractual purchase commitments for construction of a new school and renovation of the middle school as follows:

<u>Company</u>	<u>Amount Remaining</u>
Robertson Construction	\$312,508
Houston HVAC	292,118
Houston Plumbing	16,810
Brush Contractors	123,207
Total	<u>\$744,643</u>

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

NOTE 21 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 30, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$52,632	\$ -	\$227,531	\$280,163
Adjustments to prior year beginning balance	44,932	-	480	45,412
Current Year Set-aside Requirement	274,816	274,816	94,225	643,857
Current Year Offsets	-	(400,000)	-	(400,000)
Qualifying Disbursements	(362,248)	-	-	(362,248)
Total	<u>\$10,132</u>	<u>(\$125,184)</u>	<u>\$322,236</u>	<u>\$207,184</u>
Cash Balance Carried Forward to FY 2002	<u>\$10,132</u>	<u>\$ -</u>	<u>\$322,236</u>	<u>\$332,368</u>

**Licking Valley Local School District
Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2001
(Continued)**

The restricted cash balance at June 30, 2000 should have been \$45,412 more than it was stated in the prior year report. This understated balance was a result of qualifying expenditures being credited against the reserve account in the footnote when the expenditures were actually made against the general fund appropriations other than the reserve accounts.

NOTE 23 – RESTATEMENT OF FUND BALANCES

The School District posted all of the rollback and homestead taxes to the General Fund a portion of the taxes should have been allocated to the Debt Service Fund.

The restatements to the opening balances are as follows:

	General	Debt Service
Fund Balance originally stated June 30, 2000	\$1,877,771	\$584,863
Prior period adjustment	(168,815)	168,815
Restated Fund Balances July 1, 2000	\$1,708,956	\$753,678

**Licking Valley Local School District
Licking County**

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

Year ended June 30, 2001

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Non-cash Receipts	Cash Expenditures	Non-cash Disbursements
<u>U.S. Department of Agriculture</u>						
Passed through Ohio Department of Education						
Nutrition Cluster:						
National School Lunch Program	LL-P1-00	10.555	\$ 7,765	\$ -	\$ 7,765	\$ -
	LL-P4-00		3,839	-	3,839	-
	LL-P1-01		51,543	-	51,543	-
	LL-P4-01		23,076	-	23,076	-
Total National School Lunch Program			<u>86,223</u>	<u>-</u>	<u>86,223</u>	<u>-</u>
Food Distribution		10.550	<u>-</u>	<u>5,220</u>	<u>-</u>	<u>7,072</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>86,223</u>	<u>5,220</u>	<u>86,223</u>	<u>7,072</u>
<u>U.S. Department of Education</u>						
Passed through Ohio Department of Education						
Title I - Financial Assistance to Meet Special Needs of Disadvantaged Children						
	C1-S1-00	84.010	-	-	9,918	-
	C1-S1-01		147,718	-	147,718	-
Title VI-B, Special Education: Assistance to States for Education for Handicapped Children						
	6B-SF-00	84.027	-	-	10,602	-
	6B-SF-01		126,893	-	116,415	-
Drug Free Schools Grant	DR-S1-01	84.186	8,335	-	8,005	-
Goals 2000 - Continuous Improvements	G2-S2-00	84.276	21,000	-	11,537	-
	G2-S2-01		14,000	-	5,354	-
Eisenhower Professional Development State Grant	MS-S1-01	84.281	6,981	-	5,721	-
Federal, State and Local Partnerships for Educational Improvements						
	C2-S1-00	84.298	-	-	1,748	-
	C2-S1-01		9,947	-	9,048	-
Title IVR						
	CR-S1-01	84.340	-	-	-	-
	CR-51-01		31,179	-	40,941	-
Total U.S. Department of Education			<u>366,053</u>	<u>-</u>	<u>367,007</u>	<u>-</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 452,276</u>	<u>\$ 5,220</u>	<u>\$ 453,230</u>	<u>\$ 7,072</u>

**Licking Valley Local School District
Licking County**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

Year ended June 30, 2001

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

FOOD DISTRIBUTION

Non-monetary assistance is reported in the accompanying schedule of federal awards receipts and expenditures at the cost of the commodities received and disbursed. See Schedule of Findings Number 2001-2 related to valuation of inventory. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



Report On Compliance And On Internal Control Required by Government Auditing Standards

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

We have audited the general-purpose financial statements of Licking Valley Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2001 and have issued our report thereon dated December 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Wilson, Shannon & Snow, Inc.

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 7, 2001.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 7, 2001



Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of Licking Valley Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2001.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as items 2001-1 and 2001.2.

Wilson, Shannon & Snow, Inc.

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

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings as items 2000-1 and 2001-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 7, 2001.

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

Wilson, Shannon E. Shaw, Inc.

Newark, Ohio
December 7, 2001

**Licking Valley Local School District
Licking County**

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

June 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster 10.555 & 10.550 Title I 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None were noted

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-1
CFDA Title and Number	Nutrition Cluster\10.555 & 10.550
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

INTERNAL CONTROLS - REPORTABLE CONDITION

7 CFR 245.6 establishes income eligibility standards that an applicant must meet to be approved as a participant in the National School Lunch Program. It is the responsibility of designated district personnel to review the applications, to determine if the income is within the limits of established guidelines, to notify the family regarding the disposition of their application, and to maintain the application on file reflecting the students current level of benefit being received.

District personnel use the document titled “Eligibility Guidance for School Meals Manual,” published by the U.S. Department of Agriculture Food and Nutrition Service Division as guidance when processing applications. This document details that if a household has a change in income or members during the year that would allow for a change in the level of benefit to be received to the advantage the family must submit a new application for eligibility determination and the new application must be maintained on file

We selected fifty applications to reperform the eligibility procedure performed by the district. We noted two cases out of the fifty in which the student’s eligibility status during the year was changed due to a change in income; however, no new application was submitted.

We recommend the district comply with the guidelines set forth by the U.S. Department of Agriculture in the “Eligibility Guidance for School Meals Manual” and require that all families wishing to change their eligibility status during the year due to a change in income or household size submit a new application for review and that this application be affixed to the outdated application and maintained on file.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-2
<i>CFDA Title and Number</i>	Nutrition Cluster\10.555 & 10.550
<i>Federal Agency</i>	U.S. Department of Agriculture
<i>Pass-Through Agency</i>	Ohio Department of Education

INTERNAL CONTROLS - REPORTABLE CONDITION

7 CFR 250.17 establishes government-donated commodity reporting standards that the District must comply with as a participant in the National School Lunch Program. It is the responsibility of the designated district personnel to report the receipt and ending inventory of government donated commodities on a monthly basis.

The *School Food Service Manual* issued by the Ohio Department of Education Division of School Food Service dictates the guidelines for valuing government donated commodity inventories. The manual states that government donated food received during the month should be valued at current local market value and the government donated food inventory at the end of the month should be valued at current local market value.

The District was using actual cost to value the commodities received and USDA unit cost combined with local market value for surplus items to value ending inventory. The actual cost for the District to receive government-donated commodities is a combination of the shipping and processing costs for each item.

We recommend that the District obtain local market values at June 30, 2001 in order to revalue the ending inventory for fiscal year 2001. We also recommend the District revalue the September 2001 inventory reports according to local market value and then continue to value all government donated commodity receipts and inventories at local market value.

**Licking Valley Local School District
Licking County**

CORRECTIVE ACTION PLAN

June 30,2001

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-1	The Treasurer of the district has reformed the eligibility determination for all applications filed for participation in the fiscal year 2001 and has continued to reperform the eligibility determination for all new applications submitted. She will continue to complete a 100% reperformance until she is confident the Food Service Coordinator has been properly trained in this area. Additionally, the Treasurer will compare these applications to the Food Service Coordinator's master listing of eligible students being cognizant of changes in eligibility and ensuring that the eligibility status on the master listing reflects the status on the application.	This process has been implemented.	Jo Lynn Torbert, Treasurer

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-2	The Treasurer and Food Service Coordinator are aware of the proper valuation method for valuing donated government commodities. The Treasurer along with the Food Service Coordinator plan to revalue the donated government commodity inventory at June 30, 2001 in order to obtain a solid beginning inventory number for fiscal year 2002, and revalue the donated government commodity ending inventory for September 30, 2001 according to the proper valuation method. Both will continue to value future donated government commodities according to the proper valuation method according to the Ohio Department of Education, Division of School Food Service.	This correct valuation of current and future inventories has been implemented. The revaluation of June 30, 2001 and September 30, 2001 inventories will be completed by December 31, 2001.	Jo Lynn Torbert, Treasurer

**Licking Valley Local School District
Licking County**

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)

June 30, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-1	7 CFR 245,6 - Income eligibility standards were not always met.	No	Partially corrected: The Treasurer has implemented the corrective action plan and there has been some improvement from prior year.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2002**