

**LICKING VALLEY LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**SINGLE AUDIT**  
**JULY 1, 2005 - JUNE 30, 2006**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Licking Valley Local School District, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 7, 2007

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**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Valley Local School District, Licking County, Ohio (the District) as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Valley Local School District, Licking County, Ohio as of June 30, 2006, and the respective changes in financial position, thereof and with the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
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Board of Education  
Licking Valley Local School District  
Independent Auditors' Report

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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 OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Wilson, Shannon & Sons, Inc.*

Newark, Ohio  
December 15, 2006

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

The discussion and analysis of the Licking Valley Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets increased \$10,028,502.
- General revenues accounted for \$16,685,007 or 57% of all revenues. Program specific revenues in the form of operating grants and contributions, charges for services and sales, and capital grants and contributions accounted for \$12,527,323 or 43% of total revenues of \$29,212,330.
- The District's major funds included the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund. The General Fund had \$15,920,103 in revenues and other financing sources and \$15,988,933 in expenditures and other financing uses. The General Fund's balance decreased \$68,830 from the prior fiscal year. The Bond Retirement Fund had \$11,034,578 in revenues and other financing sources and \$10,993,742 in expenditures and other financing uses. The Bond Retirement Fund's balance increased \$40,836 from the prior fiscal year. The Classroom Facilities Fund had \$8,254,172 in revenues and \$1,645,434 expenditures. The Classroom Facilities Fund's balance increased \$6,608,738 from the prior fiscal year.
- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.
- The revenue generated from the Classroom Facilities Fund is used to pay for capital improvement projects.

**Using the Basic Financial Statements**

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund are the only major funds.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**Reporting the District as a Whole**

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the District's Most Significant Funds**

Fund Financial Statements

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

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

*Fiduciary Funds* - The District's only fiduciary fund is for student managed activities. The District's fiduciary activities are reported on the Statement of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because assets cannot be utilized by the District to finance operations.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 1  
Net Assets**

<b>Governmental Activities</b>		
	<b>2006</b>	<b>2005</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$35,626,951	\$34,772,894
Capital Assets, Net	18,324,359	18,109,535
Total Assets	53,951,310	52,882,429
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	14,844,471	23,341,352
Long-Term Liabilities	17,140,430	17,603,170
Total Liabilities	31,984,901	40,944,522
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	1,999,255	3,741,869
Restricted	16,278,769	9,808,786
Unrestricted	3,688,385	(1,612,748)
Total	\$21,966,409	\$11,937,907

Total assets increased \$1,068,881. The increase in current and other assets was \$854,057. The increase in current and other assets is a result of corresponding increases in cash received and held for the classroom facilities construction project.

Total liabilities decreased \$8,959,621. Unearned revenue decreased \$8,810,235. The decrease is a result of the classroom facilities construction project. Portions of grant monies that have been awarded and received have been used to finance fiscal year 2006 construction project.

The changes in the long-term liabilities are a result of a \$710,000 payment on school improvement bonds and a payment of \$81,561 to capital leases. In addition, the District refinanced part of the 1999 Building Construction Bonds. A \$662,536 premium was a component of the funding bond issue which increased long-term liabilities.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

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

	<b>2006</b>	<b>(Restated) 2005</b>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$1,243,696	\$1,145,337
Operating Grants and Contributions	1,081,673	1,098,997
Capital Grants and Contributions	10,201,954	757,774
Total Program Revenues	12,527,323	3,002,108
General Revenues:		
Property Taxes	4,214,205	4,576,855
Income Taxes	1,729,067	1,643,111
Grants and Entitlements	9,751,450	11,454,733
Gifts and Donations	-	181,421
Interest	583,200	204,223
Miscellaneous	407,085	144,244
Total General Revenues	16,685,007	18,204,587
Total Revenues	29,212,330	21,206,695
<b><u>Expenses:</u></b>		
Instruction	9,455,940	9,372,096
Support Services:		
Pupils	535,315	478,217
Instructional Staff	887,544	956,723
Board of Education	567,103	597,311
Administration	1,838,484	1,651,360
Fiscal	465,196	431,536
Business	32,365	29,462
Operation and Maintenance of Plant	1,921,486	1,594,187
Pupil Transportation	1,187,964	1,171,255
Central	66,235	50,234
Operation of Non-Instructional	792,025	774,840
Extracurricular Activities	645,959	490,646
Interest and Fiscal Charges	788,212	664,489
Total Expenses	19,183,828	18,262,356
Change in Net Assets	10,028,502	2,944,339
Beginning Net Assets	11,937,907	8,993,568
Ending Net Assets	\$21,966,409	\$11,937,907

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

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

Our District, which is dependent on property taxes and income taxes, is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. Property taxes made up approximately 14 percent of revenues for governmental activities for the District in fiscal year 2006. Income taxes made up approximately 6 percent of revenues for governmental activities for the District in fiscal year 2006.

Over the past several years the District has experienced a significant amount of growth. The District is located in Licking County, and includes all of the Village of Hanover, and portions of Mary Ann, Harrison, Perry, and Hanover Townships. The total assessed values upon which taxes are collected increased by \$16,244,500 from fiscal year 2005 to fiscal year 2006.

Instruction comprises approximately 50 percent of governmental program expenses and support services make up approximately 40 percent of the program expenses of the District.

Capital grants and contributions increased \$9,444,180. This increase is due to a direct increase in restricted grants for fiscal year 2006 related to the classroom facilities construction project. Property tax revenue decreased \$362,650 due to a decrease in revenue collected.

Regular instruction and administration expenses increased \$14,095. This increase is due to step increases in salaries.

The 2005 figures were restated to present the amount of capital grants and contributions from the classroom facilities construction project as program revenue offsetting instruction expenses.

The statement of activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

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**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2006 to 2005 follows:

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>(Restated) Net Cost of Services</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Instruction	\$9,455,940	\$ (362,667)	\$9,372,096	\$7,390,146
Support Services:				
Pupils	535,315	535,315	478,217	478,217
Instructional Staff	887,544	879,544	956,723	956,723
Board of Education	567,103	567,103	597,311	597,311
Administration	1,838,484	1,757,056	1,651,360	1,550,426
Fiscal	465,196	465,196	431,536	431,536
Business	32,365	32,365	29,462	29,462
Operation and Maintenance of Plant	1,921,486	421,486	1,594,187	1,594,187
Pupil Transportation	1,187,964	1,187,964	1,171,255	1,171,255
Central	66,235	56,520	50,234	43,281
Operation of Non-Instructional	792,025	3,509	774,840	69,482
Extracurricular Activities	645,959	324,902	490,646	283,733
Interest and Fiscal Charges	788,212	788,212	664,489	664,489
Total Expenses	<u>\$19,183,828</u>	<u>\$6,656,505</u>	<u>\$18,262,356</u>	<u>\$15,260,248</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Revenues from capital grants and contributions offset 92% of instruction activities. This is a result of classifying grants related to the classroom facilities construction projects against the regular instruction expense line item. These grant revenues will be used to construct the new elementary building per the District's agreement with the Ohio School Facilities Commission and are restricted for these purposes. For all governmental activities, support from general revenues is 33 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$37,898,262 and expenditures of \$30,663,357. The net positive change of \$7,234,905 in fund balance for the year indicates that the District was able to meet current costs.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$16,495,497 while actual expenditures and other financing uses were \$16,398,399. The \$97,098 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Final estimated receipts were \$16,578,956. Final actual receipts were \$16,578,317 which is in line with final estimates.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2006, the District had \$18,324,359 invested in capital assets (net of accumulated depreciation) for governmental activities.

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

**Debt**

At June 30, 2006, the District had \$15,613,425 in school improvement general obligation bonds for building improvements and school facilities construction. The building construction bonds were issued for a twenty-seven year period, with final maturity on December 1, 2025. The school facilities construction bonds were issued for a fifteen year period with a final maturity date on December 1, 2025. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2006, the District's overall legal debt margin was \$1,970,802, with an un-voted debt margin of \$195,380.

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**Economic Factors**

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

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

The District also passed a 1.0% Continuous Income Tax levy for operating in 1993 and returned 5 mills of the 1988 levy back to the taxpayers. This generates approximately \$1,700,000 additional revenue to be used for operational expenses of the District. The District has operated for 10 years without asking the taxpayers for more operational dollars.

**Contacting the District's Financial Management**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	<u><b>Governmental Activities</b></u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 18,587,306
Restricted Cash and Cash Equivalents	81,338
Materials and Supplies Inventory	9,608
Accrued Interest Receivable	5,998
Accounts Receivable	3,003
Intergovernmental Receivable	11,214,485
Prepaid Items	40,284
Taxes Receivable	4,783,887
Income Taxes Receivable	750,111
Deferred Charges	150,931
Non-Depreciable Capital Assets	1,236,524
Depreciable Capital Assets, net	<u>17,087,835</u>
Total Assets	<u><u>53,951,310</u></u>
 <b>LIABILITIES:</b>	
Accounts Payable	126,166
Accrued Wages and Benefits	1,574,528
Intergovernmental Payable	422,183
Unearned Revenue	12,721,594
Long-Term Liabilities:	
Due Within One Year	476,118
Due in More Than One Year	<u>16,664,312</u>
Total Liabilities	<u><u>31,984,901</u></u>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	1,999,255
Restricted for Debt Service	691,859
Restricted for Capital Projects	15,454,864
Restricted for Other Purposes	132,046
Unrestricted	<u>3,688,385</u>
Total Net Assets	<u><u>\$ 21,966,409</u></u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		<b>Program Revenues</b>			<b>Net(Expense) Revenue and Changes in Net Assets</b>
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	
Governmental Activities:					
Instruction:					
Regular	\$ 7,832,065	\$ 308,448	\$ 235,795	\$ 8,701,954	\$ 1,414,132
Special	1,298,544	-	572,410	-	(726,134)
Vocational	273,953	-	-	-	(273,953)
Other	51,378	-	-	-	(51,378)
Support Services:					
Pupils	535,315	-	-	-	(535,315)
Instructional Staff	887,544	-	8,000	-	(879,544)
Board of Education	567,103	-	-	-	(567,103)
Administration	1,838,484	80,678	750	-	(1,757,056)
Fiscal	465,196	-	-	-	(465,196)
Business	32,365	-	-	-	(32,365)
Operation and Maintenance of Plant	1,921,486	-	-	1,500,000	(421,486)
Pupil Transportation	1,187,964	-	-	-	(1,187,964)
Central	66,235	-	9,715	-	(56,520)
Operation of Non-Instructional Services	792,025	533,513	255,003	-	(3,509)
Extracurricular Activities	645,959	321,057	-	-	(324,902)
Interest and Fiscal Charges	788,212	-	-	-	(788,212)
<b>Total Governmental Activities</b>	<b>\$ 19,183,828</b>	<b>\$ 1,243,696</b>	<b>\$ 1,081,673</b>	<b>\$ 10,201,954</b>	<b>(6,656,505)</b>
General Revenues:					
Property Taxes Levied for:					
General Purposes					3,364,257
Debt Service					849,948
School District Income Tax					1,729,067
Grants and Entitlements not Restricted to Specific Programs					9,751,450
Investment Earnings					583,200
Miscellaneous					407,085
Total General Revenues					16,685,007
Change in Net Assets					10,028,502
Net Assets Beginning of Year					11,937,907
Net Assets End of Year					\$ 21,966,409

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Classroom Facilities Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 2,194,578	\$ 650,715	\$ 14,285,020	\$ 1,456,993	\$ 18,587,306
Materials and Supplies Inventory	-	-	-	9,608	9,608
Accrued Interest Receivable	5,998	-	-	-	5,998
Accounts Receivable	1,503	-	-	1,500	3,003
Intergovernmental Receivable	-	-	11,205,653	8,832	11,214,485
Prepaid Items	40,284	-	-	-	40,284
Taxes Receivable	3,825,228	958,659	-	-	4,783,887
Income Taxes Receivable	750,111	-	-	-	750,111
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	81,338	-	-	-	81,338
<b>Total Assets</b>	<b>\$ 6,899,040</b>	<b>\$ 1,609,374</b>	<b>\$ 25,490,673</b>	<b>\$ 1,476,933</b>	<b>\$ 35,476,020</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	\$ 88,711	\$ -	\$ 35,395	\$ 2,060	\$ 126,166
Accrued Wages and Benefits	1,474,525	-	-	100,003	1,574,528
Intergovernmental Payable	384,598	-	-	37,585	422,183
Deferred Revenue	3,819,516	922,559	11,205,653	-	15,947,728
<b>Total Liabilities</b>	<b>5,767,350</b>	<b>922,559</b>	<b>11,241,048</b>	<b>139,648</b>	<b>18,070,605</b>
<b>FUND BALANCES:</b>					
Reserved:					
Reserved for Encumbrances	78,324	-	-	36,191	114,515
Reserved for Prepaid Items	40,284	-	-	-	40,284
Reserved for Debt Service	-	650,715	-	-	650,715
Reserved for Property Taxes	133,900	36,100	-	-	170,000
Reserved for Textbooks and Instructional Materials	81,338	-	-	-	81,338
Unreserved, Reported in:					
General Fund	797,844	-	-	-	797,844
Special Revenue Funds	-	-	-	114,757	114,757
Capital Projects Funds	-	-	14,249,625	1,186,337	15,435,962
<b>Total Fund Balances</b>	<b>1,131,690</b>	<b>686,815</b>	<b>14,249,625</b>	<b>1,337,285</b>	<b>17,405,415</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,899,040</b>	<b>\$ 1,609,374</b>	<b>\$ 25,490,673</b>	<b>\$ 1,476,933</b>	<b>\$ 35,476,020</b>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006**

Total Governmental Fund Balances		\$ 17,405,415
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		18,324,359
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Property Taxes Receivable	24,155	
Income Tax Receivable	128,188	
Intergovernmental Receivable	3,073,791	
		3,226,134
Amortization of premium is not reported in the funds.		(637,691)
Bond issuance costs are not reported in the funds.		150,931
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(15,696,197)	
Compensated Absences Payable	(664,395)	
Capital Leases Payable	(142,147)	
		(16,502,739)
Net Assets of Governmental Activities		\$ 21,966,409

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Property and Other Local Taxes	\$ 3,651,078	\$ 925,926	\$ -	\$ -	\$ 4,577,004
Income Tax	1,717,183	-	-	-	1,717,183
Intergovernmental	9,764,948	110,087	7,864,177	979,848	18,719,060
Interest	162,704	-	389,995	29,461	582,160
Tuition and Fees	307,528	-	-	-	307,528
Rent	920	-	-	-	920
Extracurricular Activities	-	-	-	437,765	437,765
Customer Sales and Services	-	-	-	497,483	497,483
Miscellaneous	309,700	-	-	97,385	407,085
Total Revenues	<u>15,914,061</u>	<u>1,036,013</u>	<u>8,254,172</u>	<u>2,041,942</u>	<u>27,246,188</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	6,320,822	-	-	109,237	6,430,059
Special	828,827	-	-	461,657	1,290,484
Vocational	274,771	-	-	-	274,771
Other	51,378	-	-	-	51,378
Support Services:					
Pupils	493,236	-	-	48,396	541,632
Instructional Staff	786,070	-	-	81,804	867,874
Board of Education	551,299	-	-	-	551,299
Administration	1,593,383	-	-	214,857	1,808,240
Fiscal	464,194	-	-	-	464,194
Business	37,231	-	-	-	37,231
Operation and Maintenance of Plant	1,918,837	-	-	-	1,918,837
Pupil Transportation	1,293,270	-	-	-	1,293,270
Central	56,520	-	-	9,715	66,235
Operation of Non-Instructional Services	-	-	-	783,410	783,410
Extracurricular Activities	229,319	-	-	326,172	555,491
Capital Outlay	136,710	-	1,645,434	-	1,782,144
Debt Service:					
Principal	81,561	710,000	-	-	791,561
Interest	224,038	286,217	-	-	510,255
Issuance Costs	-	156,812	-	-	156,812
Total Expenditures	<u>15,341,466</u>	<u>1,153,029</u>	<u>1,645,434</u>	<u>2,035,248</u>	<u>20,175,177</u>
Excess of Revenues Over (Under) Expenditures	<u>572,595</u>	<u>(117,016)</u>	<u>6,608,738</u>	<u>6,694</u>	<u>7,071,011</u>
<b>OTHER FINANCING SOURCES AND (USES):</b>					
Transfers In	-	-	-	647,467	647,467
Refunding Bond Issues	-	9,334,989	-	-	9,334,989
Premium on Refunding Bonds Issued	-	662,536	-	-	662,536
Accrued Interest Received on Debt Issuance	-	1,040	-	-	1,040
Inception of Capital Lease	6,042	-	-	-	6,042
Transfers Out	(647,467)	-	-	-	(647,467)
Payment to Refunded Bond Escrow Agent	-	(9,840,713)	-	-	(9,840,713)
Total Other Financing Sources and (Uses)	<u>(641,425)</u>	<u>157,852</u>	<u>-</u>	<u>647,467</u>	<u>163,894</u>
Net Change in Fund Balances	(68,830)	40,836	6,608,738	654,161	7,234,905
Fund Balance at Beginning of Year	<u>1,200,520</u>	<u>645,979</u>	<u>7,640,887</u>	<u>683,124</u>	<u>10,170,510</u>
Fund Balance at End of Year	<u>\$ 1,131,690</u>	<u>\$ 686,815</u>	<u>\$ 14,249,625</u>	<u>\$ 1,337,285</u>	<u>\$ 17,405,415</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ 7,234,905

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

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

Capital Outlay - Depreciable Capital Assets	1,222,050	
Depreciation	<u>(1,007,226)</u>	
Total		214,824

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

Property Taxes	(362,799)	
Intergovernmental	2,316,017	
Income Taxes	<u>11,884</u>	
Total		1,965,102

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 791,561

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds. (277,957)

The inception of a capital lease is reported as an other financing source in governmental funds, but increases long-term liabilities on the statement of net assets. (6,042)

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

Compensated Absences Payable	<u>106,109</u>	
		<u>106,109</u>
Change in Net Assets of Governmental Activities		<u><u>\$10,028,502</u></u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 3,724,286	\$ 3,844,675	\$ 3,844,488	\$ (187)
Income Tax	1,610,188	1,662,238	1,662,139	(99)
Intergovernmental	9,459,265	9,765,039	9,764,948	(91)
Interest	155,329	160,350	160,290	(60)
Tuition and Fees	297,774	307,400	307,328	(72)
Miscellaneous	300,133	309,834	309,704	(130)
Total Revenues	<u>15,546,975</u>	<u>16,049,536</u>	<u>16,048,897</u>	<u>(639)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	6,261,826	6,450,952	6,450,952	-
Special	890,657	776,637	776,637	-
Vocational	253,730	276,922	270,389	6,533
Other	-	51,541	51,100	441
Support Services:				
Pupils	487,350	502,475	502,475	-
Instructional Staff	859,598	785,603	781,551	4,052
Board of Education	748,978	554,586	545,914	8,672
Administration	1,461,311	1,535,792	1,535,792	-
Fiscal	441,151	447,382	442,615	4,767
Business	29,560	37,520	37,098	422
Operation and Maintenance of Plant	1,782,421	1,936,728	1,886,732	49,996
Pupil Transportation	1,067,714	1,302,553	1,302,553	-
Central	43,390	57,325	57,125	200
Extracurricular Activities	186,850	198,580	196,406	2,174
Capital Outlay	74,540	168,713	160,135	8,578
Debt Service:				
Interest	-	224,038	224,038	-
Total Expenditures	<u>14,589,076</u>	<u>15,307,347</u>	<u>15,221,512</u>	<u>85,835</u>
Excess of Revenues Over (Under) Expenditures	<u>957,899</u>	<u>742,189</u>	<u>827,385</u>	<u>85,196</u>
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Transfers In	-	529,420	529,420	-
Transfers Out	(791,368)	(1,188,150)	(1,176,887)	11,263
Total Other Financing Sources and (Uses)	<u>(791,368)</u>	<u>(658,730)</u>	<u>(647,467)</u>	<u>11,263</u>
Net Change in Fund Balances	166,531	83,459	179,918	96,459
Fund Balance at Beginning of Year	1,773,655	1,773,655	1,773,655	-
Prior Year Encumbrances Appropriated	155,307	155,307	155,307	-
Fund Balance at End of Year	<u>\$ 2,095,493</u>	<u>\$ 2,012,421</u>	<u>\$ 2,108,880</u>	<u>\$ 96,459</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2006**

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 74,475
Total Assets	<u>\$ 74,475</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Due to Students	\$ 74,475
Total Liabilities	<u>\$ 74,475</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2006**

**1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 138 square miles. It is located in Licking County, and includes the Village of Hanover and portions of Mary Ann, Perry, Harrison and Hanover Townships. The District is the 262nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 115 non-certificated employees and 164 certificated full-time teaching personnel who provide services to 2,074 students and other community members. The District currently operates 6 instructional buildings.

Reporting Entity:

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

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of the District's accounting policies.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

**A. Basis of Presentation**

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

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

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

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

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

Fiduciary Funds

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

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

Revenues - Exchange and Non-exchange Transactions

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

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

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

Unearned Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

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

During fiscal year 2006, investments were limited to STAR Ohio and a cash management account. The cash management account is a high-yield savings account.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$162,704, \$389,995 to the Classroom Facilities Fund and \$29,641 to Other Governmental Funds.

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. At fiscal year end, because prepaid items are not available to finance future governmental fund expenditures, the fund balance reserved in the fund financial statements by an amount equal to the carrying value of the asset.

**H. Inventory**

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

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

**I. Restricted Assets**

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

**J. Capital Assets**

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

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

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

**K. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

**L. Compensated Absences**

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

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

The entire sick leave benefit liability is reported on the government-wide financial statements.

On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured severances payable” in the funds from which these payments will be made.

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

**M. Accrued Liabilities and Long-Term Obligations**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

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

**N. Net Assets**

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

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

**O. Fund Balance Reserves**

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

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

**P. Interfund Transactions**

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

**Q. Estimates**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

**3. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<b>Net Change in Fund Balance General Fund</b>	
GAAP Basis	(\$68,830)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received In Cash FY 2006	898,160
Accrued FY 2006, Not Yet Received in Cash	(769,366)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(1,626,603)
Accrued FY 2006, Not Yet Paid in Cash	1,913,592
Encumbrances Outstanding at Year End (Budget Basis)	(167,035)
Budget Basis	\$179,918

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

Deposits

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

At year-end the carrying amount of the District's deposits was \$28,814 and the bank balance of \$179,135. Federal deposit insurance covered \$100,000 of the bank balance and \$79,135 was covered by pooled collateral held by the financial institution.

Investments

As of June 30, 2006, the District had the following investments.

	<b>Fair Value</b>	<b>Investment Maturities (in Years) Less than 1</b>
Cash Management Account	\$18,099,415	\$18,099,415
STAR Ohio	614,890	614,890
<b>Total Investments</b>	<b>\$18,714,305</b>	<b>\$18,714,305</b>

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

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

The following is a reconciliation of cash, cash equivalents and investments to the Statement of Net Assets as of June 30, 2006:

Investments (summarized above)	\$18,714,305
Carrying amount of District's deposits	28,814
Less: Fiduciary Funds – Cash and Investments	(74,475)
Less: Restricted Cash and Investments	<u>(81,338)</u>
Total Governmental Activities – Cash and Investments	<u><u>\$18,587,306</u></u>

**5. 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 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 District receives property taxes from Licking County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2006, are available to finance fiscal year 2006 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, 2006. 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, 2006, was \$133,900 in the General Fund and \$36,100 in the Bond Retirement Fund.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

The assessed values upon which fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$152,534,080	85%	\$170,122,790	87%
Public Utility	14,061,800	8%	13,149,300	7%
Tangible Personal Property	12,539,919	7%	12,108,209	6%
Total Assessed Value	<u>\$179,135,799</u>	<u>100%</u>	<u>\$195,380,299</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$39.93		\$39.30	

**6. INCOME TAX**

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

**7. RECEIVABLES**

Receivables at June 30, 2006, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities:	
Other Governmental Finds:	
Title VI-B	\$ 1,725
Title II –A	7,107
Total Other Governmental Funds	<u>8,832</u>
Classroom Facilities Fund	11,205,653
Total Governmental Funds	<u>\$11,214,485</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 215,282	\$ -	\$ -	\$ 215,282
Construction in Progress	-	1,021,242	-	1,021,242
Total Nondepreciable Capital Assets	<u>215,282</u>	<u>1,021,242</u>	<u>-</u>	<u>1,236,524</u>
Depreciable Capital Assets				
Land Improvements	1,897,498	-	-	1,897,498
Buildings and Building Improvements	21,633,572	-	-	21,633,572
Furniture, Fixtures, and Equipment	1,038,566	53,040	-	1,091,606
Vehicles	1,820,403	147,768	(111,098)	1,857,073
Total Depreciable Capital Assets	<u>26,390,039</u>	<u>200,808</u>	<u>(111,098)</u>	<u>26,479,749</u>
Less Accumulated Depreciation				
Land Improvements	(804,678)	(73,227)	-	(877,905)
Buildings and Building Improvements	(5,656,841)	(648,720)	-	(6,305,561)
Furniture, Fixtures, and Equipment	(526,118)	(125,110)	-	(651,228)
Vehicles	(1,508,149)	(160,169)	111,098	(1,557,220)
Total Accumulated Depreciation	<u>(8,495,786)</u>	<u>(1,007,226)</u>	<u>111,098</u>	<u>(9,391,914)</u>
Depreciable Capital Assets, Net	<u>17,894,253</u>	<u>(806,418)</u>	<u>-</u>	<u>17,087,835</u>
Governmental Activities Capital Assets, Net	<u>\$18,109,535</u>	<u>\$ 214,824</u>	<u>\$ -</u>	<u>\$18,324,359</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$737,510
Vocational	682
Support Services:	
Instruction Staff	25,523
Board of Education	21,846
Administration	19,038
Business	541
Operation and Maintenance of Plant	1,524
Pupil Transportation	103,736
Operations of Non-Instruction	6,358
Extracurricular	90,468
Total Depreciation Expense	<u>\$1,007,226</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

**9. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	\$1,000	\$44,644,135
Automobile Liability	1,000	1,000,000
Uninsured Motorists	1,000	1,000,000
General Liability		
Per occurrence	0	2,000,000
Per year	0	4,000,000

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

For fiscal year 2006, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2006, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$424,448, \$426,370, and \$413,451, respectively; 54 percent has been contributed for 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contribution for fiscal year 2006 is \$193,356.

**B. State Teachers Retirement System**

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

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,113,573, \$1,090,568, and \$1,073,231, respectively, which were equal to the required contributions for each year.

**11. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, and June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005 (latest information available), net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits is 58,123.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .245, then adding the surcharge due as of June 30, 2005, as certified to your district by SERS.

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and the superintendent upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 280 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 51 days for all employees.

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

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

**B. Life Insurance**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

**13. LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2006 were as follows:

	<b>Balance at 07/01/05</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 06/30/06</b>	<b>Amounts Due in One Year</b>
Building Construction Bonds	\$14,150,000	\$ -	\$(10,076,564)	\$4,073,436	\$158,436
School Facilities Construction Bonds	2,465,000	-	(135,000)	2,330,000	135,000
General Obligation Advance Refunding					
Serial Bonds	-	8,960,000	(125,000)	8,835,000	70,000
Capital Appreciation Bonds	-	457,761	-	457,761	-
Serial Bond Premium	-	662,536	(24,845)	637,691	-
Capital Leases	217,666	6,042	(81,561)	142,147	53,179
Compensated Absences	770,504	664,395	(770,504)	664,395	59,503
Total long term Obligations	<u>\$17,603,170</u>	<u>\$10,750,734</u>	<u>\$(11,213,474)</u>	<u>\$17,140,430</u>	<u>\$476,118</u>

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

The School Facilities Construction Bonds are dated 10/5/04 and issued in the amount of \$2,700,000 with stated interest rate of 2% to 5% and a final maturity date of 12/01/19.

The General Obligation Advance Refunding Bonds are dated 9/22/05 and consist of serial and capital appreciation bonds. The serial bonds were issued with varying interest rates of 3.0-4.10%. The District received \$9,334,989 in serial and capital appreciation bond proceeds and have a final maturity date of 12/01/25. The capital appreciation bonds will mature on December 1, 2015 and 2016. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. The maturity amount of these bonds is \$1,475,000. The fiscal year 2006 accretion amount included in the above capital appreciation bond proceeds is \$82,772.

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

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

The District's voted legal debt margin was \$1,970,802 with an unvoted debt margin of \$195,380 at June 30, 2006.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

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

Principal and interest requirements to retire the principal amount of outstanding general obligation debt of \$4,073,436, \$2,330,000, \$8,835,000, and \$374,989 (the original principal value of the capital appreciation bonds outstanding) at June 30, 2006, including interest, follow:

<b>Fiscal year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$363,436	\$906,499	\$1,269,935
2008	665,000	600,023	1,265,023
2009	685,000	574,752	1,259,752
2010	715,000	547,610	1,262,610
2011	740,000	518,284	1,258,284
2012 – 2016	3,663,869	2,628,593	6,292,462
2017 – 2021	4,111,120	1,967,136	6,078,256
2022 – 2026	4,670,000	486,145	5,156,145
Total	<u>\$15,613,425</u>	<u>\$8,229,042</u>	<u>\$23,842,467</u>

**14. CAPITAL LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of copy machines, stadium bleachers, and postage machines have been capitalized in the amount of \$723,136. The stadium bleachers were was paid off during fiscal year 2006. The capitalized amount of the leases represents the present value of the minimum lease payment at the time of acquisition. A corresponding liability is recorded in the statement of net assets. Principal payments in fiscal year 2006 totaled \$81,561 in the general fund.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

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, 2006.

<u>Fiscal Year Ending June 30,</u>	<u>Pitney Bowes</u>	<u>Danka Copiers</u>
2007	\$2,712	\$68,040
2008	2,712	68,040
2009	2,712	11,340
2010	2,712	-
2011	904	-
Less: Amount Representing Interest	(6,026)	(10,999)
Present Value of Net Minimum Lease Payments	<u>\$5,726</u>	<u>\$136,421</u>

**15. SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute. The District did not meet the spending requirement for the Textbook Reserve and the excess is therefore presented as restricted on the financial statements. The District had qualifying disbursements during 2005 that reduced the set-aside amount below zero for the capital acquisition reserve. This negative amount is therefore presented as being carried forward to the next fiscal year, based on the issuance of capital related debt of \$2,700,000 during fiscal year 2005. The beginning balance within the capital acquisition reserve has been restated to reflect the allowable prior year carryforward.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2005 (Restated)	\$ 68,976	\$(2,691,790)	\$(2,622,814)
Current Year Set-aside Requirement	320,713	320,713	641,426
Qualifying Disbursements	(308,351)	(176,656)	(485,007)
Total	<u>\$ 81,338</u>	<u>\$(2,547,733)</u>	<u>\$(2,466,395)</u>
Cash Balance Carried Forward to FY 2007	<u>\$ 81,338</u>	<u>\$(2,547,733)</u>	<u>\$(2,466,395)</u>

**16. JOINTLY GOVERNED ORGANIZATIONS**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

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

Metropolitan Education Council - The District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate.

The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's membership payment to MEC for fiscal year 2006 was \$810. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio, 43232.

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

**17. INSURANCE PURCHASING POOL**

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**18. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**19. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

**B. Litigation**

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

**20. INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Other Governmental funds from:	
General Fund	\$647,467

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2006**

**21. CONTRACTUAL COMMITMENTS**

As of June 30, 2006, the District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Cannell Blueprint	\$69,490
BBC & M Engineering, Inc	28,434
Gandee & Assoc	2,100
Newspaper Network	3,000
Lepi Enterprises	24,993
Claggett & Sons Inc	9,438,000
Claypool Electric	1,698,000
Gutridge Plumbing Inc	249,000
Houston Plumbing Inc	4,046,700
Lewis R. Polster Co	232,200
Fire Protection Inc	684,900
Robertson Construction	2,799,900
Settle Muter Electric	695,000
George J. Ingel & Co	1,280,462
Wachtel & Mcanally	781,631
Professional Service	2,000
Total	<u>\$22,035,810</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass thru Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Donation	N/A	10.550	\$ -	\$ 76,232	\$ -	\$ 76,232
School Breakfast Program	05-PU	10.553	4,373	-	4,373	-
National School Lunch Program	LL-P4	10.555	168,109	-	168,109	-
<i>Total Child Nutrition Cluster</i>			<u>172,482</u>	<u>76,232</u>	<u>172,482</u>	<u>76,232</u>
<b>Total U.S. Department of Agricultur</b>			<u>172,482</u>	<u>76,232</u>	<u>172,482</u>	<u>76,232</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1	84.010	142,112	-	148,332	-
Special Education-Grants to States	6B-SF	84.027	468,327	-	463,412	-
Safe and Drug Free Schools and Communities-State Grants	DR-S1	84.186	7,645	-	7,645	-
State Grants for Innovative Programs	C2-S1	84.298	5,884	-	5,884	-
Education Technology State Grants	TJ-S1	84.318	2,584	-	2,784	-
Improving Teacher Quality State Grants	TR-S1	84.367	54,736	-	58,690	-
<b>Total U.S. Department of Education</b>			<u>681,288</u>	<u>-</u>	<u>686,747</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program	N/A	93.767	4,368	-	4,368	-
Medical Assistance Program	N/A	93.778	13,918	-	13,918	-
<b>Total U.S. Department of Health and Human Service</b>			<u>18,286</u>	<u>-</u>	<u>18,286</u>	<u>-</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u>\$ 872,056</u>	<u>\$ 76,232</u>	<u>\$ 877,515</u>	<u>\$ 76,232</u>

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Valley Local School District, Licking County, Ohio (the District) as of and for the fiscal year ended June 30, 2006 and have issued our report thereon dated December 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

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

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

*Wilson, Shannon & Snow, Inc.*

Newark, Ohio  
December 15, 2006

*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



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

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

**Compliance**

We have audited the compliance of the Licking Valley Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2006. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

**Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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*

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
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Licking Valley Local School District  
Licking County  
Report on Compliance with Requirements  
Applicable to Its Major Program and on  
Internal Control over Compliance in  
Accordance with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Board of Education, the Auditor of State, 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 15, 2006

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**JUNE 30, 2006**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**JUNE 30, 2006**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



**Mary Taylor, CPA**  
Auditor of State

LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 20, 2007