

LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING COUNTY

SINGLE AUDIT

June 30, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Licking Valley Local School District, Licking County, prepared by Wilson Shannon & Snow, Inc., for the audit period July 1, 2001 through June 30, 2002. 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 27, 2002

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

June 30, 2002

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

Independent Auditor's Report

We have audited the accompanying general-purpose financial statements of Licking Valley Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
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Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 11, 2002

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**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,109,338	\$ 181,428	\$ 697,686	\$ 3,227,650
Receivables:				
Taxes	4,473,250	-	1,527,493	-
Accounts	30,860	2,382	-	-
Intergovernmental	-	8,434	-	-
Income Tax	583,924	-	-	-
Materials and Supplies Inventory	-	-	-	-
Prepaid Items	42,259	-	-	-
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	47,487	-	-	-
Fixed Assets	-	-	-	-
Accumulated Depreciation	-	-	-	-
Other Debits:				
Amount Available in Debt Service Fund	-	-	-	-
Provided for General Long-Term Obligations	-	-	-	-
Total Assets and Other Debits	\$ 6,287,118	\$ 192,244	\$ 2,225,179	\$ 3,227,650
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 116,313	\$ 13,309	\$ -	\$ -
Contracts Payable	-	-	-	32,997
Accrued Wages and Benefits	1,194,681	14,541	-	-
Compensated Absences Payable	75,469	-	-	-
Intergovernmental Payable	202,492	-	-	-
Deferred Revenue	4,324,866	2,434	1,458,387	-
Due to Students	-	-	-	-
Capital Leases Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	\$ 5,913,821	\$ 30,284	\$ 1,458,387	\$ 32,997
Fund Equity and Other Credits:				
Investment in General Fixed Assets	\$ -	\$ -	\$ -	\$ -
Retained Earnings:				
Unreserved	-	-	-	-
Fund Balances:				
Reserved:				
Reserved for Encumbrances	279,244	48,939	-	21,139
Reserved for Prepaid Items	42,259	-	-	-
Reserved for Debt Service Principal	-	-	697,686	-
Reserved for Property Taxes	202,375	-	69,106	-
Reserved for Textbooks & Instructional Materials	47,487	-	-	-
Unreserved:				
Unreserved, Undesignated	(198,068)	113,021	-	3,173,514
Total Fund Equity and Other Credits	373,297	161,960	766,792	3,194,653
Total Liabilities, Fund Equity and Other Credits	\$ 6,287,118	\$ 192,244	\$ 2,225,179	\$ 3,227,650

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 19,880	\$ 58,747	\$ -	\$ -	\$ 5,294,729
-	-	-	-	6,000,743
-	86	-	-	33,328
16,585	-	-	-	25,019
-	-	-	-	583,924
14,137	-	-	-	14,137
-	-	-	-	42,259
-	-	-	-	47,487
163,706	-	29,014,879	-	29,178,585
(138,578)	-	-	-	(138,578)
-	-	-	766,792	766,792
-	-	-	15,776,731	15,776,731
<u>\$ 75,730</u>	<u>\$ 58,833</u>	<u>\$ 29,014,879</u>	<u>\$ 16,543,523</u>	<u>\$ 57,625,156</u>
\$ -	\$ 906	\$ -	\$ -	\$ 130,528
-	-	-	-	32,997
19,677	-	-	-	1,228,899
11,207	-	-	625,696	712,372
32,654	-	-	124,230	359,376
-	-	-	-	5,785,687
-	56,679	-	-	56,679
-	-	-	398,597	398,597
-	-	-	15,395,000	15,395,000
<u>\$ 63,538</u>	<u>\$ 57,585</u>	<u>\$ -</u>	<u>\$ 16,543,523</u>	<u>\$ 24,100,135</u>
\$ -	\$ -	\$ 29,014,879	\$ -	\$ 29,014,879
12,192	-	-	-	12,192
-	215	-	-	349,537
-	-	-	-	42,259
-	-	-	-	697,686
-	-	-	-	271,481
-	-	-	-	47,487
-	1,033	-	-	3,089,500
12,192	1,248	29,014,879	-	33,525,021
<u>\$ 75,730</u>	<u>\$ 58,833</u>	<u>\$ 29,014,879</u>	<u>\$ 16,543,523</u>	<u>\$ 57,625,156</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2002**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$8,626,270	\$462,306
Interest	101,740	-
Tuition and Fees	88,595	-
Extracurricular Activities	-	383,839
Income Tax	1,503,729	-
Property & Other Local Taxes	3,143,687	-
Miscellaneous	422,375	78,478
Total Revenues	13,886,396	924,623
Expenditures:		
Instruction:		
Regular	5,966,646	155,210
Special	871,323	223,952
Vocational	267,693	-
Support services:		
Pupils	419,621	7,180
Instructional Staff	744,389	75,989
Board of Education	443,427	-
Administration	1,325,938	171,861
Fiscal	417,242	1,974
Business	27,819	-
Operation and Maintenance of Plant	1,715,455	-
Pupil Transportation	1,027,862	-
Central	23,963	10,600
Non-Instructional Services	-	-
Extracurricular activities	145,488	297,612
Capital Outlay	344,318	7,500
Debt Service		
Debt Service - Principal	76,840	-
Debt Service - Interest	22,162	-
Total Expenditures	13,840,186	951,878
Excess of Revenues Over (Under) Expenditures	46,210	(27,255)
Other Financing Sources and Uses		
Operating Transfers In	-	-
Proceeds from Sale of Fixed Assets	123,959	-
Refund of Prior Year Expenditures	621,643	-
Inception of Capital Lease	155,787	-
Other Financing Sources	-	27,397
Operating Transfers Out	(1,954,937)	-
Total Other Financing Sources (Uses)	(1,053,548)	27,397
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,007,338)	142
Fund Balance at Beginning of Year	1,380,635	161,818
Fund Balance at End of Year	\$373,297	\$161,960

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$109,945	\$70,260	\$0	\$9,268,781
-	66,700	-	168,440
-	-	-	88,595
-	-	-	383,839
-	-	-	1,503,729
1,010,931	-	-	4,154,618
-	92,500	3,478	596,831
<u>1,120,876</u>	<u>229,460</u>	<u>3,478</u>	<u>16,164,833</u>
-	14,395	-	6,136,251
-	-	-	1,095,275
-	-	-	267,693
-	2,584	-	429,385
-	-	-	820,378
-	-	-	443,427
-	-	-	1,497,799
-	-	-	419,216
-	9,434	-	37,253
-	14,559	-	1,730,014
-	-	-	1,027,862
-	-	-	34,563
-	-	3,345	3,345
-	-	-	443,100
-	1,930,271	-	2,282,089
465,000	-	-	541,840
697,788	-	-	719,950
<u>1,162,788</u>	<u>1,971,243</u>	<u>3,345</u>	<u>17,929,440</u>
<u>(41,912)</u>	<u>(1,741,783)</u>	<u>133</u>	<u>(1,764,607)</u>
-	1,924,937	-	1,924,937
-	-	-	123,959
-	-	-	621,643
-	-	-	155,787
-	-	-	27,397
-	-	-	(1,954,937)
-	<u>1,924,937</u>	-	<u>898,786</u>
(41,912)	183,154	133	(865,821)
808,704	3,011,499	1,115	5,363,771
<u>\$766,792</u>	<u>\$3,194,653</u>	<u>\$1,248</u>	<u>\$4,497,950</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2002**

	Governmental Fund Types		
	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$ 8,626,270	\$ 8,626,270	\$ -
Interest	101,740	101,740	-
Tuition and Fees	72,306	72,306	-
Extracurricular Activities	-	-	-
Property & Other Local Taxes	4,718,636	4,716,086	(2,550)
Miscellaneous	422,665	422,665	-
Total Revenues	13,941,617	13,939,067	(2,550)
Expenditures:			
Current:			
Instruction:			
Regular	6,329,562	6,272,168	57,394
Special	865,277	865,277	-
Vocational	261,805	261,805	-
Support services:			
Pupils	442,553	442,553	-
Instructional Staff	724,459	724,459	-
Board of Education	448,376	448,376	-
Administration	1,294,628	1,294,628	-
Fiscal	400,609	400,609	-
Business	27,416	27,416	-
Operation and Maintenance of Plant	1,725,077	1,725,077	-
Pupil Transportation	1,012,446	1,012,446	-
Central	21,632	21,632	-
Non-Instructional Services	-	-	-
Extracurricular activities	145,254	145,254	-
Capital Outlay	207,888	207,888	-
Debt Service			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	13,906,982	13,849,588	57,394
Excess of Revenues Over (Under) Expenditures	34,635	89,479	54,844
Other Financing Sources and Uses			
Operating Transfers In	-	-	-
Proceeds from Sale of Fixed Assets	123,959	123,959	-
Refund of Prior Year Expenditures	604,911	604,911	-
Other Financing Sources	-	-	-
Operating Transfers Out	(1,954,937)	(1,954,937)	-
Total Other Financing Sources (Uses)	(1,226,067)	(1,226,067)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,191,432)	(1,136,588)	54,844
Fund Balances at Beginning of Year	1,702,205	1,702,205	-
Prior Year Encumbrances Appropriated	421,917	421,917	-
Fund Balance at end of Year	\$ 932,690	\$ 987,534	\$ 54,844

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

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ 456,307	\$ 456,307	\$ -	\$ 109,945	\$ 109,945	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
384,492	383,106	(1,386)	-	-	-
-	-	-	1,047,825	1,047,825	-
78,383	78,383	-	-	-	-
<u>919,182</u>	<u>917,796</u>	<u>(1,386)</u>	<u>1,157,770</u>	<u>1,157,770</u>	<u>-</u>
174,817	174,817	-	-	-	-
221,175	221,175	-	-	-	-
-	-	-	-	-	-
7,180	7,180	-	-	-	-
73,544	73,544	-	-	-	-
-	-	-	-	-	-
182,652	181,579	1,073	-	-	-
1,974	1,974	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,700	10,700	-	-	-	-
-	-	-	-	-	-
318,496	316,218	2,278	-	-	-
7,500	7,500	-	-	-	-
-	-	-	465,000	465,000	-
-	-	-	697,788	697,788	-
<u>998,038</u>	<u>994,687</u>	<u>3,351</u>	<u>1,162,788</u>	<u>1,162,788</u>	<u>-</u>
<u>(78,856)</u>	<u>(76,891)</u>	<u>1,965</u>	<u>(5,018)</u>	<u>(5,018)</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
27,397	27,397	-	-	-	-
-	-	-	-	-	-
<u>27,397</u>	<u>27,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(51,459)	(49,494)	1,965	(5,018)	(5,018)	-
143,788	143,788	-	533,889	533,889	-
27,995	27,995	-	-	-	-
<u>\$ 120,324</u>	<u>\$ 122,289</u>	<u>\$ 1,965</u>	<u>\$ 528,871</u>	<u>\$ 528,871</u>	<u>\$ -</u>

(Continued)

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Trust Fund Types
For the Year Ended June 30, 2002
(Continued)**

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 70,260	\$ 70,260	\$ -
Interest	66,816	66,700	(116)
Tuition and Fees	-	-	-
Extracurricular Activities	-	-	-
Property & Other Local Taxes	-	-	-
Miscellaneous	92,500	92,500	-
Total Revenues	229,576	229,460	(116)
Expenditures:			
Current:			
Instruction:			
Regular	14,395	14,395	-
Special	-	-	-
Vocational	-	-	-
Support services:			
Pupils	2,584	2,584	-
Instructional Staff	-	-	-
Board of Education	-	-	-
Administration	-	-	-
Fiscal	-	-	-
Business	9,434	9,434	-
Operation and Maintenance of Plant	14,559	14,559	-
Pupil Transportation	-	-	-
Central	-	-	-
Non-Instructional Services	-	-	-
Extracurricular activities	-	-	-
Capital Outlay	2,352,769	2,318,298	34,471
Debt Service			
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Total Expenditures	2,393,741	2,359,270	34,471
Excess of Revenues Over (Under) Expenditures	(2,164,165)	(2,129,810)	34,355
Other Financing Sources and Uses			
Operating Transfers In	1,924,937	1,924,937	-
Proceeds from Sale of Fixed Assets	-	-	-
Refund of Prior Year Expenditures	-	-	-
Other Financing Sources	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	1,924,937	1,924,937	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(239,228)	(204,873)	34,355
Fund Balances at Beginning of Year	1,192,242	1,192,242	-
Prior Year Encumbrances Appropriated	2,218,106	2,218,106	-
Fund Balance at end of Year	\$ 3,171,120	\$ 3,205,475	\$ 34,355

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

Fiduciary Fund Types			Totals (Memorandum Only)		
Expendable Trust					
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 9,262,782	\$ 9,262,782	\$ -
-	-	-	168,556	168,440	(116)
-	-	-	72,306	72,306	-
-	-	-	384,492	383,106	(1,386)
-	-	-	5,766,461	5,763,911	(2,550)
3,525	3,478	(47)	597,073	597,026	(47)
<u>3,525</u>	<u>3,478</u>	<u>(47)</u>	<u>16,251,670</u>	<u>16,247,571</u>	<u>(4,099)</u>
-	-	-	6,518,774	6,461,380	57,394
-	-	-	1,086,452	1,086,452	-
-	-	-	261,805	261,805	-
-	-	-	452,317	452,317	-
-	-	-	798,003	798,003	-
-	-	-	448,376	448,376	-
-	-	-	1,477,280	1,476,207	1,073
-	-	-	402,583	402,583	-
-	-	-	36,850	36,850	-
-	-	-	1,739,636	1,739,636	-
-	-	-	1,012,446	1,012,446	-
-	-	-	32,332	32,332	-
3,352	3,280	72	3,352	3,280	72
-	-	-	463,750	461,472	2,278
-	-	-	2,568,157	2,533,686	34,471
-	-	-	465,000	465,000	-
-	-	-	697,788	697,788	-
<u>3,352</u>	<u>3,280</u>	<u>72</u>	<u>18,464,901</u>	<u>18,369,613</u>	<u>95,288</u>
<u>173</u>	<u>198</u>	<u>25</u>	<u>(2,213,231)</u>	<u>(2,122,042)</u>	<u>91,189</u>
-	-	-	1,924,937	1,924,937	-
-	-	-	123,959	123,959	-
-	-	-	604,911	604,911	-
-	-	-	27,397	27,397	-
-	-	-	(1,954,937)	(1,954,937)	-
-	-	-	726,267	726,267	-
173	198	25	(1,486,964)	(1,395,775)	91,189
1,040	1,040	-	3,573,164	3,573,164	-
75	75	-	2,668,093	2,668,093	-
<u>\$ 1,288</u>	<u>\$ 1,313</u>	<u>\$ 25</u>	<u>\$ 4,754,293</u>	<u>\$ 4,845,482</u>	<u>\$ 91,189</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Revenues, Expenses
and Changes in Retained Earnings
All Proprietary Fund Types
For the Year Ended June 30, 2002**

	Proprietary Fund Types
	Enterprise
Operating Revenues:	
Sales	\$420,277
Other Revenues	38,911
Total Operating Revenues	459,188
Operating Expenses	
Salaries	228,692
Fringe Benefits	70,404
Purchased Services	359
Materials and Supplies	367,884
Depreciation	2,928
Other	2,662
Total Operating Expenses	672,929
Operating (Loss)	(213,741)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	51,023
Interest	179
Federal and State Subsidies	122,367
Loss on Sale of Fixed Assets	(30)
Total Non-Operating Revenues and Expenses	173,539
(Loss) Before Operating Transfers	(40,202)
Operating Transfers-In	30,000
Net (Loss)	(10,202)
Retained Earnings at Beginning of Year	22,394
Retained Earnings at End of Year	\$12,192

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**Combined Statement of Cash Flows
All Proprietary Fund Types
For the Year Ended June 30, 2002**

	Proprietary Fund Types
	Enterprise
Cash Flows from Operating Activities:	
Cash Received from Sales	\$420,277
Other Cash Receipts	38,911
Cash Payments to Suppliers for Goods and Service	(324,758)
Cash Payments for Contract Services	(359)
Cash Payments for Employee Services	(212,051)
Cash Payments for Employee Benefits	(66,003)
Other Cash Payments	(2,662)
Net Cash (Used) by Operating Activities	(146,645)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	121,084
Transfers In	30,000
Net Cash Provided by Noncapital Financing Activities	151,084
Cash Flows from Investing Activities:	
Interest Received	179
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(726)
Net Cash (Used) by Capital and Related Financing Activities	(726)
Net Increase in Cash and Cash Equivalents	3,892
Cash and Cash Equivalents at Beginning of Year	15,988
Cash and Cash Equivalents at End of Year	\$19,880
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:	
Operating (Loss)	(\$213,741)
Adjustments to Reconcile Operating (Loss) To Net Cash Provided (Used) by Operating Activities:	
Depreciation	2,928
Donated Commodities Used During the Year	51,023
Adjustments for Noncash Transactions	726
(Increase) Decrease in Assets:	
Material and Supplies Inventory	(7,175)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	682
Intergovernmental Payable	3,767
Deferred Revenue	(1,448)
Accrued Wages and Benefits	16,593
Total Adjustments	67,096
Net Cash (Used) by Operating Activities	(\$146,645)

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

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

**Notes to the General Purpose Financial Statements
June 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1957 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 138 square miles. It is located in Licking County, and includes the Village of Hanover and portions of Mary Ann, Perry, Harrison and Hanover Townships. The School District is the 260th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 72 non-certificated employees and 150 certificated full-time teaching personnel who provide services to 2,156 students and other community members. The School District currently operates 6 instructional buildings.

Reporting Entity:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Types:

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

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

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Fiduciary Fund Types:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Property taxes measurable as of June 30, 2002, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

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

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

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

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Appropriations:

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

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 2002, investments were limited to repurchase agreements. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the fiscal year 2002. 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 purpose. 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, 2002.

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

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

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

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

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

Entitlements

General Fund

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

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Non-Reimbursable Grants

Special Revenue Funds

- Career Development
- Education Management Information Systems
- School Net Professional Development
- Ohio Reads Grant
- Summer Intervention
- Extended Learning Opportunity
- Safe School Help Line
- Eisenhower Grant
- Title VI-B
- Title I
- Title VI
- Drug Free School Grant
- FCC E-Rate Fund
- Continuous Improvement Grant
- Title VI-R

Capital Projects Funds

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

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

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

Grants and entitlements amounted to approximately 55 percent of the School District's operating revenue during the 2002 fiscal year.

I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

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

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Transactions

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

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

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

M. Restricted Assets

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

N. Fund Balance Reserves

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

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

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

O. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2002, the Title VI-B, Title I, and Reducing Class Size Funds had deficit fund balances of \$167, \$312, and \$73, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis)

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental fund Types

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$1,136,588)	(\$49,494)	(\$5,018)	(\$204,873)	\$198
Adjustment for:					
Revenue Accruals	(52,671)	6,825	(36,894)	-	-
Expenditure Accruals	(328,702)	(16,195)	-	366,888	(280)
Other Sources/Uses	172,519	-	-	-	-
Encumbrances	338,104	59,006	-	21,139	215
GAAP Basis	<u>(\$1,007,338)</u>	<u>\$142</u>	<u>(\$41,912)</u>	<u>\$183,154</u>	<u>\$133</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan Mortgage Corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio:

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and

- The State Treasury Asset Reserve of Ohio (STAR Ohio).

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 not 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 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. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3. The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.

- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.

- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.

- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$67,254 and the bank balance was \$287,470. Of the bank balance, \$100,000 was covered by federal depository insurance and \$187,470 was covered by pledged collateral.

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

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

	Category 3	Carrying Value	Market Value
Repurchase Agreement	\$4,232,866	\$4,232,866	\$4,232,866
Star Ohio	-	1,042,096	1,042,096
Totals	\$4,232,866	\$5,274,962	\$5,274,962

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

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

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$5,342,216	\$ -
Investment:		
STAR Ohio	(1,042,096)	1,042,096
Repurchase Agreement	(4,232,866)	4,232,866
<i>GASB Statement No. 3</i>	\$67,254	\$5,274,962

NOTE 6 - PROPERTY TAXES

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

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

The School District receives property taxes from Licking County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 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, 2002. 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, 2002, was \$202,375 in the General Fund and \$69,106 in the Bond Retirement Debt Service Fund.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$117,028,430	80%	\$120,846,560	83%
Public Utility	16,880,120	12%	14,912,450	10%
Tangible Personal Property	11,101,950	8%	10,682,590	7%
Total Assessed Value	<u>\$145,010,500</u>	<u>100%</u>	<u>\$146,441,600</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$38.48		\$38.38	

NOTE 7 - INCOME TAX

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002, consisted of property and income taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of receivables follows:

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

	Amounts
General Fund	
Taxes Receivable	\$4,473,250
Accounts Receivable	30,860
Income Tax	583,924
Special Revenue Funds	
Accounts Receivable	2,382
Intergovernmental	8,434
Debt Service Funds	
Taxes Receivable	1,527,493
Enterprise Fund	
Intergovernmental	16,585
Trust and Agency Funds	
Accounts Receivable	86
Total Receivables	\$6,643,014

NOTE 9 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$163,706
Less: Accumulated Depreciation	(138,578)
Net Fixed Assets	\$25,128

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$442,950	\$5,685	\$ -	\$448,635
Buildings	6,656,168	361,870	-	7,018,038
Furniture and Equipment	3,888,625	141,768	33,735	3,996,658
Vehicles	1,573,288	151,672	-	1,724,960
Construction In Progress	14,684,559	1,142,029	-	15,826,588
Totals	\$27,245,590	\$1,803,024	\$33,735	\$29,014,879

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District's insurance coverage was as follows:

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	\$1,000	\$21,235,700
Inland Marine Coverage		
Computer Hardware	250	129,574
Computer Software	250	21,134
Mechanical Breakdown	1,000	-
Musical Instruments	100	122,969
Automobile Liability	100	1,000,000
Uninsured Motorists	100	1,000,000
General Liability		
Per occurrence	0	2,000,000
Per year	0	5,000,000

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

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$344,539, \$300,753, and \$277,496, respectively; 50 percent has been contributed for 2002 and 100 percent for fiscal years 2001 and 2000. \$170,772 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

B. State Teachers Retirement System

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2002, were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$943,626, \$853,055, and \$773,641, respectively; which were equal to the required contributions for each year.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001. For the fiscal year ended June 30, 2001 (latest information available), the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. For the District, this amount equaled \$877,440 for fiscal year 2002.

For the year ended June 30, 2001 (latest information available), net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, the allocation rate is 9.80 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, for fiscal year 2002 equaled \$317,940.

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (latest information available) were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 million.

The number of participants currently receiving health care benefits is approximately 50,000.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 275 days for all employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 48 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 March 15 of the year of retirement.

B. Life Insurance

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

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of a copier have been capitalized in the general fixed assets account group in the amount of \$30,578. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$6,941 in the governmental funds.

General fixed assets consisting of a Kodak finisher have been capitalized in the general fixed assets account group in the amount of \$68,600. This amount represents the present value of the minimum lease payments plus the value of a copier traded in at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$11,866 in the governmental funds.

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

General fixed assets consisting of a 14 copy machines have been capitalized in the general fixed assets account group in the amount of \$214,887. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$30,940 in the governmental funds.

General fixed assets consisting of stadium bleachers have been capitalized in the general fixed assets account group in the amount of \$109,520. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$19,093 in the governmental funds.

General fixed assets consisting of fitness equipment have been capitalized in the general fixed assets account group in the amount of \$155,787. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. No payments were made in fiscal year 2002.

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, 2002.

Fiscal Year Ending June 30,	Kodak Finisher	Copier	Midwest Bankers	Danka Copiers	Fitness Equipment
2003	\$4,241	\$2,481	\$26,621	\$52,217	\$55,819
2004	-	-	26,622	52,218	55,819
2005	-	-	26,621	52,218	55,820
2006	-	-	26,622	8,703	-
Less: Amount Representing Interest	(70)	(41)	(16,058)	(19,585)	(11,671)
Present Value of Net Minimum Lease Payments	<u>\$4,171</u>	<u>\$2,440</u>	<u>\$90,428</u>	<u>\$145,771</u>	<u>\$155,787</u>

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Balance at 07/01/01	Additions	Deductions	Balance at 06/30/02
Building Construction Bonds	\$15,785,000	\$ -	\$390,000	\$15,395,000
Energy Conservation Notes	75,000	-	75,000	-
Capital Leases	319,650	78,947	-	398,597
Pension Obligation	101,804	22,426	-	124,230
Compensated Absences	635,428	-	9,732	625,696
Total long term Obligations	<u>\$16,916,882</u>	<u>\$101,373</u>	<u>\$474,732</u>	<u>\$16,543,523</u>

The Building Construction Bonds are dated 4/1/99 and issued in the amount of \$16,360,000 with stated interest rate of 3.05% to 5% and a final maturity date of 12/01/25. The beginning balance of the general obligation bonds has been adjusted to capture the value of capital appreciation bonds included in the original issue that mature in 2005 and 2006.

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Licking County, Ohio**

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

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

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

The School District's voted legal debt margin was (\$2,215,256) with an unvoted debt margin of \$146,442 at June 30, 2002.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$400,000	\$681,253	\$1,081,253
2004	415,000	665,968	1,080,968
2005	430,000	649,698	1,079,698
2006	450,000	641,313	1,091,313
2007	450,000	641,313	1,091,313
thereafter	13,250,000	7,148,753	20,398,753
Total	<u>\$15,395,000</u>	<u>\$10,428,298</u>	<u>\$25,823,298</u>

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and special enterprise. The table below reflects the more significant financial data relating to the enterprise funds of the Licking Valley Local School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Special Enterprise	Total Enterprise Funds
Operating Revenues	\$411,498	\$8,779	\$38,911	\$459,188
Depreciation Expense	2,928	-	-	2,928
Operating Income (Loss)	(216,830)	(1,867)	4,956	(213,741)
Donated Commodities	51,023	-	-	51,023
Interest	179	-	-	179
Grants	122,367	-	-	122,367
Loss on Sale of Fixed Assets	(30)	-	-	(30)
Operating Transfers-In	30,000	-	-	30,000
Net Income (Loss)	(13,291)	(1,867)	4,956	(10,202)
Net Working Capital	(24,901)	988	10,977	(12,936)
Total Assets	63,765	988	10,977	75,730
Total Liabilities	63,538	-	-	63,538
Total Equity	227	988	10,977	12,192

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

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

Central Ohio Special Education Regional Resource Center - The School District participates in the Central Ohio Special Education Regional Resource Center (COSERRC), a jointly governed organization. COSERRC is one of 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 School District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2002 was \$790. 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.

NOTE 18 - INSURANCE PURCHASING POOL

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

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

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

NOTE 19- CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual purchase commitments for construction of a new school and renovation of the middle school as follows:

Company	Amount Remaining
Brush Contractors, Inc.	\$13,080
Houston Plumbing and Heating	9,457
Total	<u>\$22,537</u>

NOTE 21 – STATE SCHOOL FUNDING DECISION

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

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

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

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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

**Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

NOTE 22 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is no longer required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2001	\$10,132	(\$125,184)	\$322,236	\$207,184
Current Year Set-aside Requirement	248,128	248,128	-	496,256
Current Year Offsets	-	(400,000)	-	(400,000)
Transfer of Budget Reserve	-	-	(322,236)	(322,236)
Qualifying Disbursements	(210,773)	-	-	(210,773)
Total	<u>\$47,487</u>	<u>(\$277,056)</u>	<u>-</u>	<u>(\$229,569)</u>
Cash Balance Carried Forward to FY 2003	<u>\$47,487</u>	<u>-</u>	<u>-</u>	<u>\$47,487</u>

Licking Valley Local School District
Licking County

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

Year ended June 30, 2002

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Non-cash Receipts	Cash Expenditures	Non-cash Disbursements
<u>U.S. Department of Agriculture</u>						
Passed through Ohio Department of Education						
Nutrition Cluster:						
National School Lunch Program	LL-P1-01	10.555	\$ 116,018	\$ -	\$ 116,018	\$ -
	LL-P4-01			-		-
	LL-P4-02			-		-
Food Distribution		10.550	-	51,023	-	47,659
Total U.S. Department of Agriculture - Nutrition Cluster			<u>116,018</u>	<u>51,023</u>	<u>116,018</u>	<u>47,659</u>
<u>U.S. Department of Education</u>						
Passed through Ohio Department of Education						
Title I - Financial Assistance to Meet Special Needs of Disadvantaged Children	C1-S1-02	84.010	145,671	-	145,671	-
Title VI-B, Special Education: Assistance to States for Education for Handicapped Children	6B-SF-02	84.027	145,723	-	142,212	-
Drug Free Schools Grant	DR-S1-02	84.186	8,030	-	8,360	-
Goals 2000 - Continuous Improvements	G2-S2-01	84.276	-	-	15,496	-
Eisenhower Professional Development State Grant	MS-S1-02	84.281	7,898	-	4,755	-
Title VI - Innovation Strategies	C2-S1-02	84.298	10,582	-	11,481	-
Title VI	CR-S1-02	84.340	38,473	-	38,473	-
Total U.S. Department of Education			<u>356,377</u>	<u>-</u>	<u>366,448</u>	<u>-</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 472,395</u>	<u>\$ 51,023</u>	<u>\$ 482,466</u>	<u>\$ 47,659</u>

The accompanying notes are an integral part of this schedule.

Licking Valley Local School District
Licking County

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

Year ended June 30, 2002

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash received from the U.S. Department of Agriculture is commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



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

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

We have audited the general-purpose financial statements of Licking Valley Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2002 and have issued our report thereon dated December 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 11, 2002.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 11, 2002



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

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

Compliance

We have audited the compliance of Licking Valley Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

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Internal Control Over Compliance

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

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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 11, 2002.

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

Wilson, Shannon E. Snow, Inc.

Newark, Ohio
December 11, 2002

**Licking Valley Local School District
Licking County**

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

June 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None were noted

3. FINDINGS FOR FEDERAL AWARDS

None were noted

**Licking Valley Local School District
Licking County**

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

June 30, 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2001-1	7 CFR 245.6 - Income eligibility standards were not always met.	Yes	The District corrected the finding.
2001-2	7 CFR 250.17 – Donated commodity valuation standards were not always met.	Yes	The District corrected the finding.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2003**