



Mary Taylor, CPA
Auditor of State

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Heights Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Heights Local School District, Licking County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

March 17, 2009

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of the Licking Heights Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets increased \$557,071 from fiscal year 2007.
- Total assets of governmental activities increased by \$2,302,990. Of this, current assets increased \$3,396,725 due primarily to property tax revenue relating to the passage of the emergency operating levy in the prior fiscal year. In addition, capital assets decreased by \$1,093,735 due to depreciation of \$1,739,743, offset by additions of capital assets of \$646,008.
- General revenues accounted for \$26,396,581. Program specific revenues in the form of Charges for Services and Sales, Operating Grants, Contributions and Interest, and Capital Grants and Contributions accounted for \$3,024,370 of total revenues of \$29,420,951.
- The School District had \$28,863,880 in expenses related to governmental activities; only \$3,024,370 of these expenses were offset by program specific charges for services, sales, grants, interest, or contributions. General revenues (primarily taxes and grants and entitlements) of \$26,396,581 were adequate to provide for these programs.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Fiduciary Funds

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007:

	Table 1 Net Assets		Increase (Decrease)
	Governmental Activities 2008	2007	
<u>Assets:</u>			
Current Assets	\$41,589,303	\$38,192,578	\$3,396,725
Capital Assets	61,635,994	62,729,729	(1,093,735)
<i>Total Assets</i>	<u>103,225,297</u>	<u>100,922,307</u>	<u>2,302,990</u>
<u>Liabilities:</u>			
Other Liabilities	15,784,609	12,453,560	3,331,049
Long-Term Liabilities	63,163,465	64,748,595	(1,585,130)
<i>Total Liabilities</i>	<u>78,948,074</u>	<u>77,202,155</u>	<u>1,745,919</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	2,039,244	302,842	1,736,402
Restricted	5,153,892	6,588,107	(1,434,215)
Unrestricted	17,084,087	16,829,203	254,884
<i>Total Net Assets</i>	<u>\$24,277,223</u>	<u>\$23,720,152</u>	<u>\$557,071</u>

Current assets of governmental activities increased by \$3,396,725 while capital assets decreased by \$1,093,735. Current assets increased due to property tax revenue relating to the first year of collection from the passage of the emergency operating levy. Capital assets decreased primarily due to the current year's depreciation expense. The decrease in long-term liabilities is primarily due to debt payments made during fiscal year 2008. The increase in other liabilities is due to accrued wages and benefits, intergovernmental payable and the deferred revenue portion of property taxes. Invested in capital assets, net of related debt increased \$1,736,402 due to a reduction in outstanding debt.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Table 2
Changes in Net Assets

	Governmental Activities		Increase (Decrease)
	2008	2007	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$1,175,545	\$942,288	\$233,257
Operating Grants, Contributions and Interest	1,834,557	1,567,439	267,118
Capital Grants and Contributions	14,268	25,955	(11,687)
Total Program Revenues	3,024,370	2,535,682	488,688
General Revenues:			
Property Taxes	16,227,327	14,135,958	2,091,369
Revenue in Lieu of Taxes	833	0	833
Grants and Entitlements not Restricted to Specific Programs	9,052,274	9,269,052	(216,778)
Investment Earnings	960,074	544,706	415,368
Miscellaneous	156,073	22,424	133,649
Total General Revenues	26,396,581	23,972,140	2,424,441
Total Revenues	29,420,951	26,507,822	2,913,129
<u>Program Expenses:</u>			
Instruction:			
Regular	10,942,840	9,423,669	1,519,171
Special	2,476,493	2,208,886	267,607
Vocational	176,494	247,991	(71,497)
Student Intervention Services	321,372	1,181,695	(860,323)
Support Services:			
Pupils	1,119,606	1,232,574	(112,968)
Instructional Staff	977,068	1,307,520	(330,452)
Board of Education	73,888	44,319	29,569
Administration	2,037,878	1,975,946	61,932
Fiscal	560,349	547,794	12,555
Operation and Maintenance of Plant	3,268,733	3,110,685	158,048
Pupil Transportation	2,073,998	1,802,413	271,585
Central	225,636	223,175	2,461
Operation of Non-Instructional Services:			
Food Services	1,191,332	1,090,317	101,015
Extracurricular Activities	508,020	748,419	(240,399)
Interest and Fiscal Charges	2,910,173	3,014,696	(104,523)
Total Expenses	28,863,880	28,160,099	703,781
Change in Net Assets	557,071	(1,652,277)	2,209,348
Net Assets at Beginning of Year	23,720,152	25,372,429	(1,652,277)
Net Assets at End of Year	\$24,277,223	\$23,720,152	\$557,071

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Governmental Activities

General revenues accounted for \$26,396,581 of all revenues. Program specific revenues in the form of Charges for Services and Sales, Operating Grants, Contributions and Interest, and Capital Grants and Contributions accounted for \$3,024,370 of total revenues of \$29,420,951.

Grants and entitlements not restricted to specific programs made up \$9,052,274 of total revenues for governmental activities of the School District.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for School District operations. Property taxes made up \$16,227,327 of revenues for governmental activities for the School District for fiscal year 2008. The increase in property taxes is due to 2008 being the first year of collections relating to the passage of an emergency operating levy in May of 2007.

Instruction comprises \$13,917,199 of School District expenses. Support Services make up \$10,377,156 of the total expenses. In fiscal year 2008, Instruction costs increased by \$854,958 and Support Services costs increased by \$92,730, respectively, from the prior fiscal year. The increase was due, in part, to an increase in benefits, utility and fuel costs, a workers' compensation rate increase, higher membership fees, and the purchase of new technology and instructional materials.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$29,630,311 and total expenditures of \$29,483,418. The net change in fund balances for the fiscal year in the General Fund and Debt Service Fund were \$835,201 and (\$37,499), respectively.

The increase in the General Fund was due to an increase in property tax revenues due to the passage of the emergency operating levy in the prior year.

The decrease in fund balance in the Debt Service Fund was \$37,499 and is insignificant.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, the original budget basis revenue estimate was \$22,072,886 with a final budget basis revenue estimate of \$24,667,637. The difference of \$2,594,751 was mainly due to an increase in property tax revenues because the School District did not include the increase in revenue relating to the passage of the emergency operating levy in the original estimate.

Original budget basis appropriations were \$21,488,002 with final budget basis appropriations of \$23,801,991. The difference of \$2,313,989 was due primarily to the original appropriations being based upon a percentage of the prior fiscal year appropriations.

The School District's ending unobligated cash balance was \$900,136 below the final budgeted amount.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

Capital Assets

At fiscal year-end, the School District had \$61,635,994 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. This is a \$1,093,735 decrease from \$62,729,729 for fiscal year 2007. This decrease is due to current year depreciation exceeding current year additions.

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

Debt Administration

At June 30, 2008, the School District had \$62,215,979 in total outstanding debt consisting of general obligation bonds and capital leases. This figure includes accretion on capital appreciation bonds and unamortized premiums and gain/losses on refundings. At June 30, 2008, the School District's overall legal debt margin was (\$10,888,361) and the unvoted debt margin was \$3,734,554. For more information on debt administration, refer to Note 15 of the notes to the basic financial statements.

Current Financial Issues and Concerns

The Licking Heights Local School District anticipates a continued moderate growth in enrollment, as has happened during the last few years. The School District completed the construction of two new elementary schools, as well as the renovations of two existing elementary buildings within the School District from a \$40 million bond issue that was passed in November 2003. In June 2005, a portion of the \$25 million bond issue from March 2000, used to construct the current Jr/Sr High School, was refunded at a savings to the taxpayers. This refunding was possible in part due to the School District maintaining a bond rating of A1 with Moody's. In addition to the refunding, \$1 million in general obligation bonds were issued for the purpose of purchasing school busses to assist in updating an aging fleet. In similar fashion, the \$29 million in bonds issued in 2004, \$9 million was refunded on November 1, 2006 and an additional \$9 million of the issue was refunded on October 1, 2007 at an additional savings to the taxpayers.

In May 2007, Licking Heights Local School District passed an emergency levy for \$4.3 million (8.9 mills) for a term of four years. As a result of passing this levy (after a failed attempt in November 2006), the proposed list of cuts to be made was greatly reduced and included no negotiated pay increases and no new staff for the 2007-2008 school year.

Contacting the School District's Financial Management

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,833,377
Cash and Cash Equivalents With Fiscal Agent	6,914
Materials and Supplies Inventory	19,409
Accrued Interest Receivable	8,587
Accounts Receivable	4,380
Intergovernmental Receivable	145,555
Property Taxes Receivable	17,752,073
Revenue in Lieu of Taxes Receivable	16,011,402
Deferred Charges	807,606
Capital Assets:	
Land	1,821,947
Depreciable Capital Assets, Net	59,814,047
	103,225,297
<i>Total Assets</i>	
<u>Liabilities:</u>	
Accounts Payable	73,556
Contracts Payable	10,393
Accrued Wages and Benefits Payable	1,916,151
Intergovernmental Payable	632,084
Matured Bond Payable	5,000
Matured Interest Payable	1,914
Accrued Interest Payable	219,754
Matured Compensated Absences Payable	12,473
Retainage Payable	10,152
Deferred Revenue	12,903,132
Long-Term Liabilities:	
Due Within One Year	1,790,940
Due In More Than One Year	61,372,525
	78,948,074
<i>Total Liabilities</i>	
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,039,244
Restricted for:	
Debt Service	2,145,137
Capital Projects	2,928,729
Other Purposes	80,026
Unrestricted	17,084,087
	24,277,223
<i>Total Net Assets</i>	\$24,277,223

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	
				Governmental Activities	
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$10,942,840	\$338,493	\$281,440	\$0	(\$10,322,907)
Special	2,476,493	0	480,708	0	(1,995,785)
Vocational	176,494	0	42,427	0	(134,067)
Student Intervention Services	321,372	0	53,295	0	(268,077)
Support Services:					
Pupils	1,119,606	0	277,174	0	(842,432)
Instructional Staff	977,068	0	29,139	14,268	(933,661)
Board of Education	73,888	0	0	0	(73,888)
Administration	2,037,878	0	68,124	0	(1,969,754)
Fiscal	560,349	0	0	0	(560,349)
Operation and Maintenance of Plant	3,268,733	26,715	596	0	(3,241,422)
Pupil Transportation	2,073,998	0	91,420	0	(1,982,578)
Central	225,636	0	24,741	0	(200,895)
Operation of Non-Instructional Services:					
Food Services	1,191,332	573,601	474,660	0	(143,071)
Extracurricular Activities	508,020	236,736	10,833	0	(260,451)
Interest and Fiscal Charges	2,910,173	0	0	0	(2,910,173)
Total Governmental Activities	\$28,863,880	\$1,175,545	\$1,834,557	\$14,268	(25,839,510)
<u>General Revenues:</u>					
Property Taxes Levied for:					
General Purposes				12,246,468	
Debt Service				3,980,859	
Revenue in Lieu of Taxes				833	
Grants and Entitlements not Restricted to Specific Programs				9,052,274	
Investment Earnings				960,074	
Miscellaneous				156,073	
Total General Revenues				26,396,581	
Change in Net Assets				557,071	
Net Assets at Beginning of Year - Restated (See Note 3)				23,720,152	
Net Assets at End of Year				\$24,277,223	

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,439,588	\$2,265,171	\$3,128,618	\$6,833,377
Cash and Cash Equivalents With Fiscal Agent	0	6,914	0	6,914
Receivables:				
Property Taxes	13,667,599	4,084,474	0	17,752,073
Revenue in Lieu of Taxes	16,011,402	0	0	16,011,402
Intergovernmental	0	0	145,555	145,555
Accounts	2,607	0	1,773	4,380
Accrued Interest	8,587	0	0	8,587
Materials and Supplies Inventory	0	0	19,409	19,409
Total Assets	\$31,129,783	\$6,356,559	\$3,295,355	\$40,781,697
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$35,900	\$0	\$37,656	\$73,556
Accrued Wages and Benefits Payable	1,816,453	0	99,698	1,916,151
Contracts Payable	0	0	10,393	10,393
Retainage Payable	0	0	10,152	10,152
Intergovernmental Payable	597,987	0	34,097	632,084
Interfund Payable	0	0	0	0
Matured Bond Payable	0	5,000	0	5,000
Matured Interest Payable	0	1,914	0	1,914
Matured Compensated Absences Payable	12,473	0	0	12,473
Deferred Revenue	26,425,648	3,109,654	68,788	29,604,090
Total Liabilities	28,888,461	3,116,568	260,784	32,265,813
<u>Fund Balances:</u>				
Reserved for Encumbrances	276,983	0	485,887	762,870
Reserved for Property Taxes	3,244,337	970,846	0	4,215,183
Unreserved, Undesignated, (Deficit) Reported in:				
General Fund	(1,279,998)	0	0	(1,279,998)
Special Revenue Funds	0	0	75,965	75,965
Debt Service Fund	0	2,269,145	0	2,269,145
Capital Projects Funds	0	0	2,472,719	2,472,719
Total Fund Balances	2,241,322	3,239,991	3,034,571	8,515,884
Total Liabilities and Fund Balances	\$31,129,783	\$6,356,559	\$3,295,355	\$40,781,697

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total Governmental Fund Balances \$8,515,884

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

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

Land	1,821,947	
Depreciable Capital Assets	71,819,591	
Accumulated Depreciation	(12,005,544)	
Total Capital Assets	61,635,994	61,635,994

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

Delinquent Property Taxes	612,181	
Revenue in Lieu of Taxes	16,011,402	
Intergovernmental	68,788	
Investment Earnings	8,587	
	16,700,958	16,700,958

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 807,606

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

Bonds Payable	(58,639,017)	
Deferred Gain/Loss on Refundings	1,507,189	
Accretion on Capital Appreciation Bonds	(796,543)	
Accrued Interest on Bonds	(219,754)	
Bond Premiums	(4,268,585)	
Capital Leases	(19,023)	
Compensated Absences	(947,486)	
Total Liabilities	(63,383,219)	(63,383,219)

Net Assets of Governmental Activities \$24,277,223

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$12,090,053	\$3,974,476	\$0	\$16,064,529
Revenue in Lieu of Taxes	1,077,560	0	0	1,077,560
Intergovernmental	9,025,620	504,676	1,266,182	10,796,478
Investment Earnings	177,869	0	146,424	324,293
Tuition and Fees	338,493	0	0	338,493
Rent	26,715	0	0	26,715
Extracurricular Activities	0	0	236,736	236,736
Contributions and Donations	72	0	35,761	35,833
Customer Sales and Services	0	0	573,601	573,601
Miscellaneous	140,515	0	15,558	156,073
Total Revenues	22,876,897	4,479,152	2,274,262	29,630,311
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,981,213	0	253,771	10,234,984
Special	2,221,833	0	137,274	2,359,107
Vocational	166,358	0	1,029	167,387
Student Intervention Services	269,360	0	50,973	320,333
Support Services:				
Pupils	800,619	0	283,333	1,083,952
Instructional Staff	859,775	0	207,163	1,066,938
Board of Education	73,888	0	0	73,888
Administration	1,841,288	0	68,777	1,910,065
Fiscal	513,529	59,370	0	572,899
Operation and Maintenance of Plant	2,803,017	0	99,516	2,902,533
Pupil Transportation	2,038,357	0	3,637	2,041,994
Central	190,916	0	24,741	215,657
Operation of Non-Instructional Services:				
Food Services	0	0	1,058,671	1,058,671
Extracurricular Activities	240,224	0	270,944	511,168
Capital Outlay	0	0	309,284	309,284
Debt Service:				
Principal Retirement	19,358	1,720,000	0	1,739,358
Interest and Fiscal Charges	2,613	2,740,061	0	2,742,674
Issuance Costs	0	172,526	0	172,526
Total Expenditures	22,022,348	4,691,957	2,769,113	29,483,418
Excess of Revenues Over (Under) Expenditures	854,549	(212,805)	(494,851)	146,893
<u>Other Financing Sources (Uses):</u>				
Refunding Bonds Issued	0	9,379,998	0	9,379,998
Premium on Debt Issuance	0	556,552	0	556,552
Transfers-In	10,500	0	29,848	40,348
Transfers-Out	(29,848)	0	(10,500)	(40,348)
Payment to Refunded Bond Escrow Agent	0	(9,761,244)	0	(9,761,244)
Total Other Financing Sources (Uses)	(19,348)	175,306	19,348	175,306
Net Change in Fund Balances	835,201	(37,499)	(475,503)	322,199
Fund Balances at Beginning of Year	1,406,121	3,277,490	3,510,074	8,193,685
Fund Balances at End of Year	\$2,241,322	\$3,239,991	\$3,034,571	\$8,515,884

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$322,199

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

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

Capital Assets Additions	646,008	
Depreciation Expense	(1,739,743)	
Excess of Depreciation Expense Over Capital Outlay		(1,093,735)

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

Delinquent Property Taxes	162,798	
Revenue In Lieu of Taxes	(1,076,727)	
Intergovernmental	68,788	
Interest	635,781	
Total (Increase)/Decrease		(209,360)

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Proceeds of Refunding Bonds	(9,379,998)	
Premium on Bonds	(556,552)	
		(9,936,550)

Governmental funds report bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities 172,526

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

Bond Principal Retirement	1,720,000	
Payment to Refunded Bond Escrow Agent	9,761,244	
Capital Leases	19,358	
Total Long-Term Debt Repayment		11,500,602

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

Decrease in Accrued Interest	14,404	
Amortization of Gain/Loss on Refundings	(83,041)	
Amortization of Bond Premium	202,527	
Amortization of Bond Issuance Costs	(41,007)	
		92,883

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

Increase in Compensated Absences Payable	(31,112)	
Accretion on Bonds	(260,382)	
Total (Increase)/Decrease		(291,494)

Change in Net Assets of Governmental Activities \$557,071

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$10,522,899	\$12,548,492	\$11,145,229	(\$1,403,263)
Revenue in Lieu of Taxes	408,611	1,077,664	1,077,560	(104)
Intergovernmental	10,497,325	10,292,629	9,025,620	(1,267,009)
Investment Earnings	305,648	200,473	178,132	(22,341)
Tuition and Fees	301,474	381,143	338,668	(42,475)
Rent	30,548	29,998	26,655	(3,343)
Contributions and Donations	138	81	72	(9)
Miscellaneous	6,243	137,157	136,455	(702)
<i>Total Revenues</i>	<u>22,072,886</u>	<u>24,667,637</u>	<u>21,928,391</u>	<u>(2,739,246)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	9,514,274	10,790,387	10,021,491	768,896
Special	2,145,066	2,413,822	2,227,313	186,509
Vocational	174,729	192,025	177,188	14,837
Adult/Continuing	304,128	91,754	0	91,754
Student Intervention Services	188,386	269,437	268,437	1,000
Support Services:				
Pupils	877,858	885,876	817,427	68,449
Instructional Staff	886,552	926,496	854,908	71,588
Board of Education	51,351	75,079	69,278	5,801
Administration	1,848,237	1,999,199	1,844,727	154,472
Fiscal	493,359	553,115	510,377	42,738
Operation and Maintenance of Plant	2,740,203	2,995,938	2,764,451	231,487
Pupil Transportation	1,770,519	2,149,462	1,983,379	166,083
Central	206,261	200,931	185,406	15,525
Extracurricular Activities	287,079	258,470	238,499	19,971
<i>Total Expenditures</i>	<u>21,488,002</u>	<u>23,801,991</u>	<u>21,962,881</u>	<u>1,839,110</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>584,884</u>	<u>865,646</u>	<u>(34,490)</u>	<u>(900,136)</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	13,820	5,826	5,826	0
Transfers-In	0	10,500	10,500	0
Transfers-Out	0	(29,848)	(29,848)	0
Advances-In	0	5,973	5,973	0
Advances-Out	(4,480)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>9,340</u>	<u>(7,549)</u>	<u>(7,549)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	594,224	858,097	(42,039)	(900,136)
<i>Fund Balance at Beginning of Year</i>	1,173,289	1,173,289	1,173,289	0
<i>Prior Year Encumbrances Appropriated</i>	<u>21,895</u>	<u>21,895</u>	<u>21,895</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,789,408</u></u>	<u><u>\$2,053,281</u></u>	<u><u>\$1,153,145</u></u>	<u><u>(\$900,136)</u></u>

See accompanying notes to the basic financial statements

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2008

	<u>Student Managed Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$44,147</u>
<u>Liabilities:</u>	
Undistributed Monies	<u>\$44,147</u>

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1956 and is located just east of the City of Columbus about one-half mile from the Franklin County border. The School District serves an area of approximately 36 square miles. It is located in Licking and Franklin Counties and covers parts of the City of Pataskala, the Village of Jersey, and St. Albans and Etna Townships in Licking County and parts of Jefferson Township, the City of Reynoldsburg and the City of Columbus in Franklin County. It is staffed by 141 non-certificated employees, 193 certificated teaching personnel, and 16 administrative personnel who provide services to 2,806 students and other community members. The School District currently operates five instructional buildings, one administrative building, and a garage.

Reporting Entity:

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements:

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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. All funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds:

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

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

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

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

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

Fiduciary Fund:

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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

Expenses/Expenditures

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

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

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio).

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents (continued)

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$177,869, which includes \$125,996 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

G. Inventory

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

H. Capital Assets

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

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

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees are paid.

J. Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Fund Balance Reserves

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Balance Reserves (continued)

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

M. Internal Activity

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

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

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

N. Net Assets

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

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

The government-wide Statement of Net Assets reports \$5,153,892 of restricted net assets, none of which are restricted by enabling legislation.

O. Estimates

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 3 – RESTATEMENT OF NET ASSETS

For fiscal year 2008, the School District determined that revenue in lieu of taxes receivable and compensated absences were misstated. These changes resulted in the following restatement of net assets at June 30, 2007.

	Governmental Activities
Net Assets, June 30, 2007	<u>\$7,461,629</u>
Restatement of Compensated Absences	(202,412)
Restatement of Revenue in Lieu of Taxes Receivable	<u>16,460,935</u>
Net Assets, June 30, 2007 as Restated	<u><u>\$23,720,152</u></u>

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2008, the Food Service and Title VI-R Special Revenue Funds had deficit fund balances of \$9,106 and \$1,743, respectively, as a result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances when cash is needed rather than when accruals occur.

B. Compliance

At June 30, 2008 the Food Service and Title VI-B Special Revenue Funds had expenditures plus encumbrances in excess of appropriations in the amount of \$4,734 and \$12,588, respectively. This will be remedied in the future by amending appropriations as necessary.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

Net Change in Fund Balance	
	General
GAAP Basis	\$835,201
Adjustments:	
Revenue Accruals	(942,680)
Expenditure Accruals	345,910
Advances	5,973
Encumbrances	(286,443)
Budget Basis	(\$42,039)

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$1,200,000 of the School District's bank balance of \$1,310,148 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

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

Investments

As of June 30, 2008, the School District had the following investment:

	<u>Fair Value</u>	<u>Average Maturity</u>
STAROhio	\$5,007,482	53.8 days
Repurchase Agreement	1,198,200	
Total	<u>\$6,205,682</u>	

Interest Rate Risk

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Repurchase Agreement at Huntington National Bank has an underlying investment of a Government National Mortgage Association Note. Huntington National Bank only invests in "A" or "A" equivalent rated investments for repurchase agreements. The School District's investment policy limits investments to those authorized by State statute.

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date.

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

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in calendar year 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This fiscal year, however, the tangible personal property tax was not received until July 2008.

The School District receives property taxes from Licking and Franklin Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amounts available to be advanced can vary based on the date the tax bills are sent.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 7 – PROPERTY TAXES (continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late tangible personal property tax settlement were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

The amount available as an advance at June 30, 2008 was \$3,244,337 in the General Fund and \$970,846 in the Debt Service Fund. The amount available as an advance at June 30, 2007, was \$2,317,116 in the General Fund and \$980,284 in the Debt Service Fund.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$470,927,210	95.53%	\$489,568,050	96.87%
Public Utility Personal	8,916,040	1.81%	6,925,410	1.37%
General Business Personal	13,116,245	2.66%	8,876,875	1.76%
Total Assessed Value	\$492,959,495	100.00%	\$505,370,335	100.00%
Tax rate per \$1,000 of assessed valuation	\$48.52		\$50.07	

NOTE 8 – RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, revenue in lieu of taxes, accounts (rent, student fees and tuition), intergovernmental grants and accrued interest. All receivables are considered collectible in full and will be received within one year with the exception of property taxes and revenue in lieu of taxes. Property taxes, although ultimately, include some portion of delinquents that will not be collected within one year. Revenue in lieu of taxes will be received over the designated period established by the agreements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 8 – RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Food Service Subsidies	\$105
Idea Part-B	49,576
Special Education Access Grant	2,000
Title III	15,574
Title I	62,108
Title V	2,508
Title IV-A	1,312
Title II-A	5,663
Title II-D	1,078
FEMA	5,631
Total Intergovernmental Receivables	<u><u>\$145,555</u></u>

Revenue in Lieu of Taxes

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/2007	Additions	Deletions	Balance at 6/30/2008
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$1,821,947	\$0	\$0	\$1,821,947
Capital Assets Being Depreciated:				
Land Improvements	165,212	190,040	0	355,252
Buildings and Improvements	66,492,810	12,130	0	66,504,940
Furniture, Fixtures and Equipment	1,997,042	183,400	0	2,180,442
Vehicles	2,550,769	260,438	32,250	2,778,957
Total Capital Assets Being Depreciated	71,205,833	646,008	32,250	71,819,591
Less Accumulated Depreciation:				
Land Improvements	(35,535)	(22,403)	0	(57,938)
Buildings and Improvements	(8,167,365)	(1,475,295)	0	(9,642,660)
Furniture, Fixtures and Equipment	(1,198,945)	(130,064)	0	(1,329,009)
Vehicles	(896,206)	(111,981)	(32,250)	(975,937)
Total Accumulated Depreciation	(10,298,051)	(1,739,743) *	(32,250)	(12,005,544)
Total Capital Assets Being Depreciated, Net	60,907,782	(1,093,735)	0	59,814,047
Governmental Activities Capital Assets, Net	\$62,729,729	(\$1,093,735)	\$0	\$61,635,994

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 9 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$713,107
Special	107,354
Vocational	7,934
Support Services:	
Pupils	43,636
Instructional Staff	68,375
Administration	104,908
Fiscal	23,123
Operation and Maintenance of Plant	227,123
Pupil Transportation	289,338
Central	9,968
Operation of Non-Instructional Services:	
Food Services	131,151
Extracurricular Activities	13,726
Total Depreciation Expense	<u><u>\$1,739,743</u></u>

NOTE 10 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Indiana Insurance Company for building and contents and fleet insurance.

Insurance coverage provided includes the following:

Building and Contents replacement cost (\$5,000 deductible)	\$74,776,119
General Liability (per Occurrence)	1,000,000
Annual Aggregate, Products and Completed Operations and Other	2,000,000
Personal and Advertising Injury Aggregate	1,000,000
Fire Damage	300,000
Medical Expense (Each Claim)	15,000
Employee Benefits Limited Liability	1,000,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
Medical Payments	5,000
Equipment Floater (\$500 deductible)	170,427

(continued)

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 10 – RISK MANAGEMENT (continued)

A. Property and Liability (continued)

Theft, Disappearance and Destruction (\$500 deductible)	
Inside the Premises	\$10,000
Outside the Premises	10,000
Umbrella per Occurrence and Annual Aggregate Limit	5,000,000
Automobile	1,000,000
General Liability	
Each Occurrence	1,000,000
General Aggregate	3,000,000
Products and Completed Operations	1,000,000
Personal and Advertising Injury	1,000,000
Employers Liability	
Each Accident	1,000,000
Disease Policy Limit	1,000,000
Disease each Employee	1,000,000
Sexual Abuse	1,000,000

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

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald provides administrative, cost control, and actuarial services to the GRP.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$359,113, \$368,580 and \$338,795 respectively; 45.0 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio (continued)

Funding Policy – For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,238,345, \$1,194,060, and \$1,035,102 respectively; 82.40 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$31,944 made by the School District and \$60,572 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 12 – POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$215,462, \$141,722, and \$110,405 respectively; 45.0 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$25,875, \$25,063, and \$28,348 respectively; 45.0 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$95,257, \$85,290, and \$73,936 respectively; 82.40 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, sick leave and personal leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 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.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 13 – EMPLOYEE BENEFITS (continued)

A. Compensated Absences (continued)

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

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the One America.

C. Deferred Compensation

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

NOTE 14 – LEASES – LESSEE DISCLOSURE

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

Capital assets acquired by lease were initially capitalized in the amount of \$99,890 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2008 totaled \$19,358 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2008, are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<u>Asset:</u> Copiers	<u>\$99,890</u>	<u>(\$83,385)</u>	<u>\$16,505</u>

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 14 – LEASES – LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30,	Total Payments
2009	\$13,783
2010	6,659
Total	20,442
Less: Amount Representing Interest	(1,419)
Present Value of Net Minimum Lease Payments	\$19,023

During the fiscal year, the School District entered into a noncancelable operating lease for the use of computers. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments for fiscal year 2008 totaled \$7,809 in the Building Capital Projects Fund.

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

Fiscal Year Ending June 30,	Total Payments
2009	\$6,943
2010	7,363
Total	\$14,306

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2008 were as follows:

	Amounts Outstanding 6/30/07	Additions	Deductions	Amounts Outstanding 6/30/08	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement Bonds - 6.4%	\$920,000	\$0	\$5,000	\$915,000	\$5,000
2000 School Improvement Bonds					
Serial Bonds - 4.5% - 6.0%	2,155,000	0	565,000	1,590,000	660,000
Capital Appreciation Bonds - 5.45% - 5.65%	74,032	0	0	74,032	0
Accretion on Capital Appreciation Bonds	298,910	102,226	0	401,136	0

(continued)

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

	Amounts Outstanding 6/30/07	Additions	Deductions	Amounts Outstanding 6/30/08	Amounts Due Within One Year
Governmental Activities:					
2004 School Improvement					
Bonds					
Serial Bonds - 2.75% 4.75%	\$13,220,000	\$0	\$3,410,000	\$9,810,000	\$700,000
Term Bonds - 5.0%	6,400,000	0	6,400,000	0	0
Capital Appreciation Bonds - 4.15% - 4.75%	70,000	0	0	70,000	0
Accretion on Capital					
Appreciation Bonds	166,125	100,021	0	266,146	0
Unamortized Premium	1,971,182	0	970,812	1,000,370	0
2005 School Construction					
Current Refunding Bonds					
Series B					
Serial Bonds - 3.5% - 5.0%	7,305,000	0	525,000	6,780,000	5,000
Term Bonds - 5.0%	3,170,000	0	0	3,170,000	0
Unamortized Premium	571,074	0	21,964	549,110	0
2005 School Bus Bonds					
Series B 2005 - 3.5% to 4.0%	825,000	0	80,000	745,000	85,000
Unamortized Premium	16,549	0	1,839	14,710	0
2005 School Improvement					
Advance Refunding Bonds					
Series B					
Serial Bonds - 3.5% - 5.0%	14,750,000	0	65,000	14,685,000	70,000
Term Bonds - 5.0%	2,110,000	0	0	2,110,000	0
Capital Appreciation Bonds - 4.17% - 4.4%	174,994	0	0	174,994	0
Accretion on Capital					
Appreciation Bonds	63,507	34,655	0	98,162	0
Unamortized Premium	1,494,818	0	67,946	1,426,872	0
Loss on Refunding	(1,312,432)	0	(59,656)	(1,252,776)	0
2006 Advance Refunding					
Bonds Series 2006					
Serial Bonds - 3.55% - 4.1%	3,805,000	0	50,000	3,755,000	75,000
Term Bonds - 4.0%	5,350,000	0	0	5,350,000	0
Capital Appreciation Bonds - 4.05%	29,993	0	0	29,993	0
Accretion on Capital					
Appreciation Bonds	7,619	15,435	0	23,054	0
Unamortized Premium	785,748	0	44,900	740,848	0
Loss on Refunding	(628,279)	0	(35,902)	(592,377)	0

(continued)

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

	Amounts Outstanding 6/30/07	Additions	Deductions	Amounts Outstanding 6/30/08	Amounts Due Within One Year
<u>Governmental Activities:</u>					
2007 Advance Refunding					
Bonds Series 2007					
Serial Bonds - 4.0% - 4.3%	\$0	\$7,645,000	\$0	\$7,645,000	\$55,000
Term Bonds - 4.0% - 4.1%	0	1,685,000	0	1,685,000	0
Capital Appreciation Bonds - 4.17%	0	49,998	0	49,998	0
Accretion on Capital Appreciation Bonds	0	8,045	0	8,045	0
Unamortized Premium	0	556,552	19,877	536,675	0
Gain on Refunding	0	350,481	12,517	337,964	0
Capital Leases	38,381	0	19,358	19,023	12,539
Compensated Absences	916,374	176,104	144,992	947,486	123,401
Total Governmental Activities Long-Term Obligations	<u>\$64,748,595</u>	<u>\$10,723,517</u>	<u>\$12,308,647</u>	<u>\$63,163,465</u>	<u>\$1,790,940</u>

2000 School Improvement Bonds

The School District issued School Improvement General Obligation Bonds in the amount of \$950,000 on May 1, 2000, with an interest rate of 6.4 percent. The bonds were issued for a twenty-eight year period with final maturity at December 31, 2028.

2000 School Improvement Bonds

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

The original bond issue consisted of serial, term and capital appreciation bonds. \$4,950,000 of the serial bonds and \$12,150,000 of the term bonds were advance refunded on June 1, 2005.

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LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

The capital appreciation bonds were issued for \$74,032. The capital appreciation bonds will mature in fiscal years 2014 through 2018 as follows:

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

2004 School Improvement Bonds

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

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

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

The capital appreciation bonds were issued for \$70,000. The maturity amount of the bonds is \$2,875,000. The capital appreciation bonds will mature December 1, 2011 through 2015 as follows:

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

2005 School Construction Current Refunding General Obligation Bonds

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

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

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

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

2005 School Bus Bonds

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

2005 School Improvement Advance Refunding General Obligation Bonds

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

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

The capital appreciation bonds, issued at \$174,994, are not subject to prior redemption. The fiscal year 2008 accretion amount is \$34,655. The capital appreciation bonds will mature December 1, 2016 through 2018 as follows:

<u>Year</u>	<u>Maturity Amount</u>
2016	\$85,000
2017	85,000
2018	1,085,000

At June 30, 2008, \$17,100,000 of the refunded bonds were outstanding.

2006 School Improvement Advance Refunding General Obligation Bonds

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

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

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

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

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

The capital appreciation bonds, issued at \$29,993, are not subject to prior redemption. The fiscal year 2008 accretion amount is \$15,435. The capital appreciation bonds will mature December 1, 2015 and 2016 as follows:

<u>Year</u>	<u>Maturity Amount</u>
2015	\$105,000
2016	1,165,000

At June 30, 2008, \$9,185,000 of the refunded bonds were outstanding.

2007 Advanced Refunding Bonds

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

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

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

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

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

The capital appreciation bonds, issued at \$49,998, are not subject to prior redemption. The capital appreciation bonds will mature December 1, 2019 in the amount of \$1,075,000. The fiscal year 2008 accretion amount is \$8,045.

The refunding resulted in a difference of \$350,481 between the net carrying amount of the debt and the reacquisition price. The difference, reported in the accompanying financial statements, is being amortized to interest expense over the life of the bonds using the straight-line method. The School District's total debt service payments decreased \$839,241 as a result of the refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payment) of \$684,304. The refunded bonds outstanding at June 30, 2008 were \$9,380,000.

Principal and interest requirements to retire the School District's outstanding debt at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$1,655,000	\$2,091,328	\$0	\$545,715	\$0	\$0
2010	2,215,000	2,009,181	0	545,715	0	0
2011	865,000	1,945,374	0	545,715	0	0
2012	745,000	1,914,514	0	545,715	15,000	320,000
2013	900,000	1,882,245	0	545,715	15,000	420,000
2014-2018	3,670,000	9,261,913	340,000	2,705,775	319,019	7,255,981
2019-2023	17,520,000	6,809,624	515,000	2,616,082	49,998	1,025,002
2024-2028	16,365,000	2,782,845	6,180,000	1,586,070	0	0
2029-2033	1,990,000	43,205	5,280,000	392,950	0	0
Totals	\$45,925,000	\$28,740,229	\$12,315,000	\$10,029,452	\$399,017	\$9,020,983

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

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

The School District's overall legal debt margin was (\$10,888,361) with an unvoted debt margin of \$3,734,554 at June 30, 2008. Ohio Revised Code section 133.06(l) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's portion of Ohio School Facilities construction project costs. The School District submitted the issuance of the School Construction Bonds to the electors prior to the adoption of H.B. 530. In addition, H.B. 530 now excludes tangible personal property used in business, telephone, or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.

NOTE 16 – INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2008 were as follows:

Transfers To	Transfers From		
	General Fund	Other Governmental Funds	Total
General	\$0	\$10,500	\$10,500
Other Governmental Funds	29,848	0	29,848
Total	\$29,848	\$10,500	\$40,348

Transfers from the General Fund represent subsidy monies for operations of the various funds receiving these monies. The transfer from the Underground Storage Tank Special Revenue Fund to the General Fund is due to the termination of the activity for which this fund existed.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA), which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendent from all participating districts. The School District paid \$80,785 for membership provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, Ohio 43055.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each fiscal year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District paid \$1,127 to MEC for membership during fiscal year 2008. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member districts in Central Ohio (which comprise 60 percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, and one representative of universities. The School District participates in the following services of the COSERRC: Identification and Program Development Project, Regional Educational Assessment Programming Project, Instructional Resource Center Project, Early Childhood Services Project, and the Ohio Resource Center for Low Incidence and Severely Handicapped Project. These services are to assist the School District in complying with mandates of Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for COSERRC. The School District made no contributions to COSERRC in fiscal year 2008. Financial information may be obtained from the Central Ohio Special Education Regional Resource Center, at 470 Genmont Avenue, Columbus, OH 43214.

D. School Study Council of Ohio

The School Study Council of Ohio (the "Council") is a jointly governed organization operated by a Board of Trustees (the "Board") that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. The Board consisted of fourteen members. In fiscal year 2008, Licking Heights Local School District obtained active membership privileges and paid a membership fee of \$680. Financial information may be obtained from the School Study Council of Ohio, at 2080 Citygate Drive, Columbus, OH 43219.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 18 – INSURANCE PURCHASING POOL

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

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

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

NOTE 19 – SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2007	(\$888,193)	\$0
Current Fiscal Year Set-aside Requirement	401,740	401,740
Current Fiscal Year Offsets	0	(300,337)
Qualifying Disbursements	(473,068)	(101,403)
Set-aside Reserve Balance as of June 30, 2008	(\$959,521)	\$0
Required Set-aside Balances Carried Forward to FY 2009	(\$959,521)	\$0

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

NOTE 20 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

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**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	2008	10.553	\$64,654	\$0	\$64,654	\$0
National School Lunch Program	2008	10.555	326,423	71,396	326,423	71,396
<i>Total Nutrition Cluster</i>			<u>391,077</u>	<u>71,396</u>	<u>391,077</u>	<u>71,396</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>391,077</u>	<u>71,396</u>	<u>391,077</u>	<u>71,396</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies						
Title I Grants to Local Educational Agencies	2007	84.010	84,402	0	95,113	0
Title I Grants to Local Educational Agencies	2008	84.010	29,816	0	30,127	0
<i>Total Title I Grants to Local Educational Agencies</i>			<u>114,218</u>	<u>0</u>	<u>125,240</u>	<u>0</u>
Special Education Cluster:						
Special Education Grants to States	2007	84.027	12,084	0	25,954	0
Special Education Grants to States	2008	84.027	382,227	0	401,930	0
<i>Total Special Education Grants to States</i>			<u>394,311</u>	<u>0</u>	<u>427,884</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants						
Safe and Drug-Free Schools and Communities State Grants	2007	84.186	1,276	0	1,276	0
Safe and Drug-Free Schools and Communities State Grants	2008	84.186	4,837	0	5,042	0
<i>Total Safe and Drug-Free Schools and Communities State Grants</i>			<u>6,113</u>	<u>0</u>	<u>6,318</u>	<u>0</u>
State Grants for Innovative Programs						
State Grants for Innovative Programs	2007	84.298	0	0	595	0
State Grants for Innovative Programs	2008	84.298	3,635	0	3,226	0
<i>Total State Grants for Innovative Programs</i>			<u>3,635</u>	<u>0</u>	<u>3,821</u>	<u>0</u>
Education Technology State Grants						
Education Technology State Grants	2008	84.318	112	0	0	0
<i>Total Education Technology State Grants</i>			<u>112</u>	<u>0</u>	<u>0</u>	<u>0</u>
Comprehensive School Reform Demonstration						
Comprehensive School Reform Demonstration	2008	84.332	13,573	0	17,251	0
<i>Total Comprehensive School Reform Demonstration</i>			<u>13,573</u>	<u>0</u>	<u>17,251</u>	<u>0</u>
English Language Acquisition Grants						
English Language Acquisition Grants	2007	84.365	0	0	7,909	0
English Language Acquisition Grants	2007	84.365	1,509	0	2,936	0
English Language Acquisition Grants	2008	84.365	26,493	0	31,504	0
English Language Acquisition Grants	2008	84.365	408	0	747	0
<i>Total English Language Acquisition Grants</i>			<u>28,410</u>	<u>0</u>	<u>43,096</u>	<u>0</u>
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	2007	84.367	0	0	3,967	0
Improving Teacher Quality State Grants	2008	84.367	42,438	0	40,818	0
<i>Total Improving Teacher Quality State Grants</i>			<u>42,438</u>	<u>0</u>	<u>44,785</u>	<u>0</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>602,810</u>	<u>0</u>	<u>668,395</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Passed Through Ohio Department of Public Safety-Emergency Management Agency:</i>						
Disaster Grants-Public Assistance (FEMA)	2008	97.036	0	0	5,631	0
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>0</u>	<u>0</u>	<u>5,631</u>	<u>0</u>
TOTALS			<u>\$993,887</u>	<u>\$71,396</u>	<u>\$1,065,103</u>	<u>\$71,396</u>

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

NOTE D – TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, the District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2008, the Ohio Department of Education (ODE) authorized the following transfer from the fiscal year 2007 grant to the fiscal year 2008 grant:

CFDA		
<u>Number</u>	<u>Program Title</u>	<u>Amount</u>
84.010	Title I Grants to Local Education Agencies	\$477



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Heights Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the District's management in a separate letter dated March 17, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 17, 2009.

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

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

Mary Taylor, CPA
Auditor of State

March 17, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Licking Heights Local School District, Licking County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Licking Heights Local School District, Licking County, Ohio complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2008-001.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 17, 2009.

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



Mary Taylor, CPA
Auditor of State

March 17, 2009

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2008-001
CFDA Title and Number	10.553 – School Breakfast Program. 10.555 – National School Lunch Program 84.010 – Title I Grants to Local Education Agencies 84.027 – Special Education Grants to States 84.186 – Safe and Drug-Free Schools and Communities 84.298 – State Grants for Innovative Programs 84.318 – Education Technology State Grants 84.332 – Comprehensive School Reform Demonstration 84.365 – English Language Acquisition Grants 84.367 – Improving Teacher Quality State Grants 97.036 – Disaster Grants – Public Assistance
Federal Award Number / Year	2007/2008
Federal Agencies	U.S. Department of Agriculture U.S. Department of Education U.S. Department of Homeland Security
Pass-Through Agency	Ohio Department of Education Ohio Department of Public Safety – Emergency Management Agency

Reporting Package Submission

OMB Circular A-133, Subpart C § .320 states, in part, that the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor’s report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The fiscal year 2007 auditor’s report was released on March 18, 2008. However, the Federal Audit Clearinghouse did not receive the reporting package until November 10, 2008.

We recommend the District ensure a complete data collection form, reporting package, and corrective action plan are submitted within the required time frame.

Officials’ Response and Corrective Action Plan:

When the 2007 audit was completed the summary was submitted to the Audit Clearinghouse; however we failed to send it registered mail and did not have proof of it being sent. When it was discovered that the Audit Clearinghouse did not acknowledge receipt of the 2007 report we submitted another copy, which was received by the Audit Clearinghouse on November 10, 2008. Submissions are now performed electronically, which will ensure proof of future submissions.

Anticipated Completion Date: April 9, 2009
Responsible Contact Person: Jennifer Vanover, Treasurer

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Contrary to Ohio Revised Code Section 5705.41(B) the District's budgetary expenditures exceeded its appropriations.	No	Partially Corrected; Re-Issued in Management Letter



Mary Taylor, CPA
Auditor of State

LICKING HEIGHTS LSD

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
MAY 7, 2009**