

LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING COUNTY

SINGLE AUDIT

JULY 1, 2007 - JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Licking Valley Local School District, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 10, 2009

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**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Valley Local School District, Licking County, Ohio (the District) as of and for the fiscal year ended June 30, 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 that our audit provides a reasonable basis for our opinions.

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

As disclosed in Note 21, the District restated net assets to properly account for payment in lieu of taxes receivable and long-term debt outstanding. In addition, the District implemented GASB Statement No.45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2008, on our consideration of the District's internal control over financial reporting and on 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

Licking Valley Local School District
Licking County
Independent Auditors' Report

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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures 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.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 20, 2008

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

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets decreased \$2,644,365.
- General revenues accounted for \$16,504,082 or 83% of all revenues. Program specific revenues in the form of operating grants and contributions, capital grants and contributions, and charges for services and sales accounted for \$3,339,549 or 17% of total revenues of \$19,843,631.
- The District's major funds included the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund. The General Fund had \$16,707,821 in revenues and other financing sources and \$16,098,710 in expenditures and other financing uses. The General Fund's balance increased \$609,111 from the prior fiscal year. The Bond Retirement Fund had \$1,069,771 in revenues and \$1,041,610 in expenditures. The Bond Retirement Fund's balance increased \$28,161 from the prior fiscal year. The Classroom Facilities Fund had \$313,265 in revenues and \$6,666,754 in expenditures. The Classroom Facilities Fund's balance decreased \$6,353,489 from the prior fiscal year.
- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.
- The revenue generated from the Classroom Facilities Fund is used to pay for capital improvement projects associated with the District's participation in the Ohio School Facilities Commission program.

Using the Basic Financial Statements

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

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund are the District's most significant major governmental funds. A description of the financial activities of these major funds can be found on page 3.

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

The District as a Whole

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

**Table 1
Net Assets
Governmental Activities**

	<u>2008</u>	<u>(Restated) 2007</u>
<u>Assets:</u>		
Current and Other Assets	\$13,533,965	\$20,307,119
Capital Assets, Net	39,491,966	36,407,452
Total Assets	<u>53,025,931</u>	<u>56,714,571</u>
<u>Liabilities:</u>		
Current and Other Liabilities	7,303,292	7,940,530
Long-Term Liabilities	16,527,505	16,934,542
Total Liabilities	<u>23,830,797</u>	<u>24,875,072</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	24,537,834	20,954,707
Restricted	1,263,848	7,980,778
Unrestricted	3,393,452	2,904,014
Total	<u>\$29,195,134</u>	<u>\$31,839,499</u>

Total assets decreased \$3,688,640 and the decrease in current and other assets was \$6,773,154. The decrease in current and other assets is a result of completion of the classroom facilities construction project. In addition, Intergovernmental receivables decreased as a result of the completion of State funding associated with the classroom facilities construction project.

Total liabilities decreased \$1,044,275. Contracts and retainage payable decreased \$994,378. The decrease is a result of the completion of the classroom facilities construction project. Final payments will be made during fiscal year 2009.

The changes in the long-term liabilities are a result of a total of \$665,000 in principal payments on bonds outstanding and a payment of \$99,891 to capital leases. In addition, the District entered into a lease agreement for copiers in the amount of \$292,236.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Table 2 reflects the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

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

	2008	(Restated) 2007
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,267,598	\$1,044,682
Operating Grants, Contributions and Interest	1,976,673	1,919,252
Capital Grants and Contributions	95,278	11,080,519
Total Program Revenues	3,339,549	14,044,453
General Revenues:		
Property Taxes	4,619,711	4,955,239
Income Taxes	2,091,722	1,935,180
Revenue of Lieu Taxes	64,408	860,000
Grants and Entitlements	9,141,623	5,990,239
Interest	390,243	875,192
All Other Revenue	166,268	318,584
Sale of Capital Assets	30,107	-
Total General Revenues	16,504,082	14,934,434
Total Revenues	19,843,631	28,978,887
<u>Expenses:</u>		
Instruction:	13,453,779	9,650,245
Support Services:		
Pupils	558,573	500,935
Instructional Staff	732,883	817,642
Board of Education	64,801	546,495
Administration	1,590,122	1,869,937
Fiscal	410,250	417,300
Business	113,780	39,077
Operation and Maintenance of Plant	2,076,540	1,630,364
Pupil Transportation	1,386,712	1,235,597
Central	147,173	140,884
Operation of Non-Instructional Services	737,959	807,393
Extracurricular Activities	531,944	486,852
Interest and Fiscal Charges	683,480	984,076
Total Expenses	22,487,996	19,126,797
Change in Net Assets	(2,644,365)	9,873,090
Beginning Net Assets - Restated	31,839,499	21,966,409
Ending Net Assets	\$29,195,134	\$31,839,499

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

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

Our District, which is dependent on property taxes and income taxes, is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. Property taxes made up approximately 28 percent of revenues for governmental activities for the District in fiscal year 2008. Income taxes made up approximately 13 percent of revenues for governmental activities for the District in fiscal year 2008.

Over the past several years the District has experienced a significant amount of growth. The District is located in Licking County, and includes all of the Village of Hanover, and portions of Mary Ann, Madison, Perry, and Hanover Townships. The total assessed values upon which taxes are collected decreased by \$1,297,016 from fiscal year 2007 to fiscal year 2008.

Instruction comprises approximately 60 percent of governmental program expenses, and support services make up approximately 31 percent of the program expenses of the District.

Capital grants and contributions decreased \$10,985,241. This decrease is due to a direct decrease in restricted grants from fiscal year 2007 to fiscal year 2008. Property tax revenue decreased \$355,528

Instruction expenses increased \$3,803,534. This increase is due to the completion of the classroom facilities project for all furniture, fixtures and other related equipment which was not capitalized based on the District's capital asset policy.

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

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**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2008 to 2007 follows:

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2008	2008	Restated 2007	Restated 2007
Instruction	\$13,453,779	\$11,442,518	\$9,650,245	(\$3,208,347)
Support Services:				
Pupils	558,573	558,573	500,935	500,935
Instructional Staff	732,883	732,883	817,642	811,642
Board of Education	64,801	64,801	546,495	546,495
Administration	1,590,122	1,532,419	1,869,937	1,869,937
Fiscal	410,250	410,250	417,300	417,300
Business	113,780	113,780	39,077	39,077
Operation and Maintenance of Plant	2,076,540	2,076,540	1,630,364	1,630,364
Pupil Transportation	1,386,712	1,331,168	1,235,597	1,173,290
Central	147,173	139,961	140,884	133,862
Operation of Non-Instructional Services	737,959	(159,246)	807,393	(62,818)
Extracurricular Activities	531,944	221,320	486,852	246,531
Interest and Fiscal Charges	683,480	683,480	984,076	984,076
Total Expenses	<u>\$22,487,996</u>	<u>\$19,148,447</u>	<u>\$19,126,797</u>	<u>\$5,082,344</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Revenues from operating grants and contributions offset 18% of instruction activities. Revenues from charges for services and sales along with operating grants and contributions fully cover the costs associated with operation of non-instructional services; 71% of these costs are covered by charges for services and sales revenues. For all governmental activities, support from general revenues is 83 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$20,353,828 and expenditures and other financing uses of \$26,355,189. The net negative change of (\$6,001,361) in fund balance for the year indicates that the District had difficulty in meeting current costs.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$16,750,063 while actual expenditures and other financing uses were \$16,642,590. The \$107,473 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Final estimated receipts and other financing sources were \$16,952,184, while final actual receipts and other financing sources were \$17,001,823 for a difference of \$49,639.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$39,491,966 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the Note 8 to the basic financial statements.

Debt

At June 30, 2008, the District had \$15,460,604 in outstanding general obligation bonds for building improvements and general obligation bonds. The District also had \$13,987 and \$281,313 outstanding associated with a note payable and capital leases, respectively.

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

For further information regarding the District's debt, see the Note 13 to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

Economic Factors

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

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

The District also passed a 1.0% Continuous Income Tax levy for operating in 1993 and returned 5 mills of the 1988 levy back to the taxpayers. This generates approximately \$2,125,000 additional revenue to be used for operational expenses of the District. The District has operated for 15 years without asking the taxpayers for more operational dollars.

Contacting the District's Financial Management

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 6,683,236
Cash and Cash Equivalents in Segregated Accounts	393,070
Materials and Supplies Inventory	10,180
Accrued Interest Receivable	5,033
Accounts Receivable	6,063
Intergovernmental Receivable	15,962
Prepaid Items	159,668
Taxes Receivable	4,494,510
Income Taxes Receivable	853,074
Revenue in Lieu of Taxes Receivable	774,000
Deferred Charges	139,169
Non-Depreciable Capital Assets	186,282
Depreciable Capital Assets, net	39,305,684
Total Assets	<u>53,025,931</u>
LIABILITIES:	
Accounts Payable	133,696
Accrued Wages and Benefits	1,534,333
Contracts Payable	716,086
Intergovernmental Payable	415,604
Retainage Payable	393,070
Unearned Revenue	4,110,503
Long-Term Liabilities:	
Due Within One Year	842,750
Due in More Than One Year	15,684,755
Total Liabilities	<u>23,830,797</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	24,537,834
Restricted for Debt Service	728,800
Restricted for Capital Projects	231,209
Restricted for Other Purposes	303,839
Unrestricted	3,393,452
Total Net Assets	<u>\$ 29,195,134</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets	
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		
Expenses				Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$ 11,510,082	\$ 378,836	\$ 241,382	\$ 95,278	\$ (10,794,586)
Special	1,548,231	-	1,216,769	-	(331,462)
Vocational	339,974	-	78,996	-	(260,978)
Other	55,492	-	-	-	(55,492)
Support Services:					
Pupils	558,573	-	-	-	(558,573)
Instructional Staff	732,883	-	-	-	(732,883)
Board of Education	64,801	-	-	-	(64,801)
Administration	1,590,122	57,703	-	-	(1,532,419)
Fiscal	410,250	-	-	-	(410,250)
Business	113,780	-	-	-	(113,780)
Operation and Maintenance of Plant	2,076,540	-	-	-	(2,076,540)
Pupil Transportation	1,386,712	-	55,544	-	(1,331,168)
Central	147,173	-	7,212	-	(139,961)
Operation of Non-Instructional Services	737,959	520,435	376,770	-	159,246
Extracurricular Activities	531,944	310,624	-	-	(221,320)
Interest and Fiscal Charges	683,480	-	-	-	(683,480)
Total Governmental Activities	<u>\$ 22,487,996</u>	<u>\$ 1,267,598</u>	<u>\$ 1,976,673</u>	<u>\$ 95,278</u>	<u>(19,148,447)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	3,677,382
Debt Service	942,329
School District Income Tax	2,091,722
Payments in Lieu of Taxes	64,408
Grants and Entitlements not Restricted to Specific Programs	9,141,623
Investment Earnings	390,243
All Other Revenue	166,268
Sale of Capital Assets	30,107
Total General Revenues	<u>16,504,082</u>
Change in Net Assets	(2,644,365)
Net Assets Beginning of Year - Restated - See Note 21	31,839,499
Net Assets End of Year	<u>\$ 29,195,134</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 4,601,223	\$ 675,427	\$ 133,417	\$ 1,249,023	\$ 6,659,090
Cash and Cash Equivalents in Segregated Accounts	-	-	393,070	-	393,070
Materials and Supplies Inventory	-	-	-	10,180	10,180
Accrued Interest Receivable	5,033	-	-	-	5,033
Accounts Receivable	5,167	-	-	896	6,063
Intergovernmental Receivable	-	-	-	15,962	15,962
Prepaid Items	158,217	-	-	1,451	159,668
Taxes Receivable	3,574,479	920,031	-	-	4,494,510
Income Taxes Receivable	853,074	-	-	-	853,074
Revenue in Lieu of Taxes Receivable	774,000	-	-	-	774,000
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	24,146	-	-	-	24,146
Total Assets	\$ 9,995,339	\$ 1,595,458	\$ 526,487	\$ 1,277,512	\$ 13,394,796
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 111,122	\$ -	\$ -	\$ 22,574	\$ 133,696
Accrued Wages and Benefits	1,437,628	-	-	96,705	1,534,333
Contracts Payable	-	-	716,086	-	716,086
Intergovernmental Payable	375,088	-	-	40,516	415,604
Retainage Payable	-	-	393,070	-	393,070
Deferred Revenue	4,312,244	871,176	-	-	5,183,420
Total Liabilities	6,236,082	871,176	1,109,156	159,795	8,376,209
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	86,157	-	-	25,696	111,853
Reserved for Prepaid Items	158,217	-	-	1,451	159,668
Reserved for Debt Service	-	676,482	-	-	676,482
Reserved for Property Taxes	177,100	47,800	-	-	224,900
Reserved for Textbooks and Instructional Materials	24,146	-	-	-	24,146
Unreserved, Undesignated, Reported in:					
General Fund	3,313,637	-	-	-	3,313,637
Special Revenue Funds	-	-	-	276,692	276,692
Capital Projects Funds	-	-	(582,669)	813,878	231,209
Total Fund Balances	3,759,257	724,282	(582,669)	1,117,717	5,018,587
Total Liabilities and Fund Balances	\$ 9,995,339	\$ 1,595,458	\$ 526,487	\$ 1,277,512	\$ 13,394,796

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Governmental Fund Balances	\$	5,018,587
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		39,491,966
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Property Taxes Receivable	21,365	
Income Taxes Receivable	148,616	
Revenue in Lieu of Taxes Receivable	902,936	
		1,072,917

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and are not reported in the funds.		139,169
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

General Obligation Bonds Payable	(14,210,000)	
Bond Premium	(588,001)	
Deep Discount Debt Accretion	(662,603)	
Tractor Note Payable	(13,987)	
Compensated Absences Payable	(771,601)	
Capital Leases Payable	(281,313)	
		(16,527,505)

Net Assets of Governmental Activities	\$	<u><u>29,195,134</u></u>
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See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 3,749,093	\$ 951,515	\$ -	\$ -	\$ 4,700,608
Payments in Lieu of Taxes	21,472	-	-	-	21,472
Income Tax	2,085,163	-	-	-	2,085,163
Intergovernmental	9,871,094	118,256	192,550	1,128,946	11,310,846
Interest	232,661	-	119,965	37,617	390,243
Tuition and Fees	378,836	-	-	-	378,836
Extracurricular Activities	-	-	-	396,598	396,598
Customer Sales and Services	-	-	-	492,164	492,164
All Other Revenue	47,159	-	750	118,359	166,268
Total Revenues	<u>16,385,478</u>	<u>1,069,771</u>	<u>313,265</u>	<u>2,173,684</u>	<u>19,942,198</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,662,487	-	-	123,597	6,786,084
Special	1,137,798	-	-	440,124	1,577,922
Vocational	316,049	-	-	2,000	318,049
Other	55,492	-	-	-	55,492
Support Services:					
Pupils	475,122	-	-	50,408	525,530
Instructional Staff	750,054	-	-	59,079	809,133
Board of Education	64,801	-	-	-	64,801
Administration	1,513,662	-	-	205,212	1,718,874
Fiscal	412,965	-	-	-	412,965
Business	113,780	-	-	-	113,780
Operation and Maintenance of Plant	2,087,266	-	5,611	30,982	2,123,859
Pupil Transportation	1,505,071	-	-	-	1,505,071
Central	145,540	-	-	7,212	152,752
Operation of Non-Instructional Services	-	-	-	832,780	832,780
Extracurricular Activities	166,440	-	-	319,372	485,812
Capital Outlay	272,598	-	6,661,143	477,349	7,411,090
Debt Service:					
Principal	246,885	525,000	-	-	771,885
Interest	83,413	516,610	-	-	600,023
Total Expenditures	<u>16,009,423</u>	<u>1,041,610</u>	<u>6,666,754</u>	<u>2,548,115</u>	<u>26,265,902</u>
Excess of Revenues Over (Under) Expenditures	<u>376,055</u>	<u>28,161</u>	<u>(6,353,489)</u>	<u>(374,431)</u>	<u>(6,323,704)</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	-	89,287	89,287
Sale of Capital Assets	30,107	-	-	-	30,107
Inception of Capital Lease	292,236	-	-	-	292,236
Transfers Out	(89,287)	-	-	-	(89,287)
Total Other Financing Sources and Uses	<u>233,056</u>	<u>-</u>	<u>-</u>	<u>89,287</u>	<u>322,343</u>
Net Change in Fund Balances	609,111	28,161	(6,353,489)	(285,144)	(6,001,361)
Fund Balance at Beginning of Year	<u>3,150,146</u>	<u>696,121</u>	<u>5,770,820</u>	<u>1,402,861</u>	<u>11,019,948</u>
Fund Balance at End of Year	<u>\$ 3,759,257</u>	<u>\$ 724,282</u>	<u>\$ (582,669)</u>	<u>\$ 1,117,717</u>	<u>\$ 5,018,587</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**RECONCILIATION OF 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 \$ (6,001,361)

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

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

Capital Outlay - Depreciable Capital Assets	4,560,623	
Depreciation	<u>(1,231,557)</u>	
		3,329,066

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Sale of Capital Assets	(30,107)	
Gain (Loss) on Disposal of Capital Assets	<u>(214,445)</u>	
		(244,552)

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

Property Taxes	(80,897)	
Intergovernmental	(97,272)	
Income Taxes	6,559	
Payments in Lieu of Taxes (Net of Restatement)	<u>42,936</u>	
Total Intergovernmental Revenue		(128,674)

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

771,885

Inception of capital lease provides current financial resources to governmental funds and increases long-term liabilities on the statement of activities.

(292,236)

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

(83,457)

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

Compensated Absences Payable	<u>4,964</u>	
		<u>4,964</u>
Change in Net Assets of Governmental Activities		\$ <u><u>(2,644,365)</u></u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 3,702,772	\$ 3,692,661	\$ 3,742,300	\$ 49,639
Payment in Lieu of Taxes	-	21,472	21,472	-
Income Tax	2,125,158	2,125,158	2,125,158	-
Intergovernmental	9,871,094	9,871,094	9,871,094	-
Interest	232,667	232,667	232,667	-
Tuition and Fees	379,330	379,330	379,330	-
Miscellaneous	43,797	43,797	43,797	-
Total Revenues	<u>16,354,818</u>	<u>16,366,179</u>	<u>16,415,818</u>	<u>49,639</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,987,000	6,987,000	6,857,514	129,486
Special	872,000	872,000	1,238,570	(366,570)
Vocational	304,500	304,500	306,752	(2,252)
Other	51,000	51,000	55,884	(4,884)
Support Services:				
Pupils	470,000	470,000	473,299	(3,299)
Instructional Staff	775,000	775,000	741,352	33,648
Board of Education	591,250	591,250	64,801	526,449
Administration	1,296,000	1,296,000	1,606,039	(310,039)
Fiscal	457,000	457,000	409,714	47,286
Business	46,000	46,000	113,970	(67,970)
Operation and Maintenance of Plant	2,141,000	2,141,000	1,784,658	356,342
Pupil Transportation	1,375,000	1,375,000	1,494,760	(119,760)
Central	124,000	124,000	150,920	(26,920)
Extracurricular Activities	210,750	210,750	207,603	3,147
Capital Outlay	688,000	688,000	268,155	419,845
Principal	140,000	140,000	140,000	-
Interest	83,413	83,413	83,413	-
Total Expenditures	<u>16,611,913</u>	<u>16,611,913</u>	<u>15,997,404</u>	<u>614,509</u>
Excess of Revenues Over (Under) Expenditures	<u>(257,095)</u>	<u>(245,734)</u>	<u>418,414</u>	<u>664,148</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	133,398	555,898	555,898	-
Sale of Capital Assets	30,107	30,107	30,107	-
Transfers Out	(138,150)	(138,150)	(645,186)	(507,036)
Total Other Financing Sources and Uses	<u>25,355</u>	<u>447,855</u>	<u>(59,181)</u>	<u>(507,036)</u>
Net Change in Fund Balances	(231,740)	202,121	359,233	157,112
Fund Balance at Beginning of Year	3,894,184	3,894,184	3,894,184	-
Prior Year Encumbrances Appropriated	174,671	174,671	174,671	-
Fund Balance at End of Year	<u>\$ 3,837,115</u>	<u>\$ 4,270,976</u>	<u>\$ 4,428,088</u>	<u>\$ 157,112</u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

	<u>Agency Fund</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>87,212</u>
Total Assets	\$ <u><u>87,212</u></u>
LIABILITIES:	
Current Liabilities:	
Undistributed Monies	\$ <u>87,212</u>
Total Liabilities	\$ <u><u>87,212</u></u>

See Accompanying Notes to the Basic Financial Statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 138 square miles. It is located in Licking County, and includes the Village of Hanover and portions of Mary Ann, Perry, Madison, and Hanover Townships. The District is the 249th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 100 non-certificated employees and 160 certificated full-time teaching personnel who provide services to 2,101 students and other community members. The District currently operates 3 instructional buildings.

Reporting Entity:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Fiduciary Funds

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

Proprietary Fund Types

Proprietary fund type reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The District has no proprietary funds.

C. Measurement Focus

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (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 VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of 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 the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

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.

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures/Expenses

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2008, investments were limited to STAR Ohio and a cash management account.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$232,661, \$119,965 to the Classroom Facilities Fund and \$37,617 to other governmental funds.

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

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. At fiscal year end, because prepaid items are not available to finance future governmental fund expenditures, the fund balance reserved in the fund financial statements by an amount equal to the carrying value of the asset.

H. Restricted Assets

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

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**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

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

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

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

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

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets. The District did not report interfund balances at June 30, 2008.

K. Compensated Absences

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2008, the District did not have net assets restricted by enabling legislation.

N. Fund Balance Reserves

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

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

O. Interfund Transactions

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

P. Estimates

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

R. Bond Premiums, Bond Discounts and Issuance Costs

In the Government-wide financial statements, bond premiums and discounts are deferred and amortized over the terms of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are deferred charges and amortized over the term of the related debt.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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

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

Net Change in Fund Balance General Fund	
GAAP Basis	\$609,111
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received In Cash FY 2008	929,848
Accrued FY 2008, Not Yet Received in Cash	(1,191,745)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,848,559)
Accrued FY 2008, Not Yet Paid in Cash	2,057,857
Encumbrances Outstanding at Year End (Budget Basis)	<u>(197,279)</u>
Budget Basis	<u>\$359,233</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Deposits

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

At year-end the carrying amount of the District’s deposits was \$457 and the bank balance of \$149,028. Federal depository insurance covered \$100,000 of the bank balance and \$49,028 was uninsured and covered by pooled securities held by the financial institution.

Cash in Segregated Accounts

At fiscal year-end, the District had \$393,070 in a depository account for retainage obligations related to construction project undertaken by the District as part of the District’s participation in the Ohio School Facilities Construction project. The balance in this depository account is included in the amount of “deposits” reported by the District.

Investments

As of June 30, 2008, the District had the following investments.

	Carrying and Fair Value	Investment Maturities(in Years)Less than 1
Cash Management Account	\$6,489,577	\$6,489,577
STAR Ohio	673,484	673,484
Total Investments	\$7,163,061	\$7,163,061

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

The following is a reconciliation of cash and cash equivalents and investments to the Statement of Net Assets as of June 30, 2008:

Investments (summarized above)	\$7,163,061
Carrying amount of District's deposits	457
Less: Fiduciary Funds – Cash and Cash Equivalents	<u>(87,212)</u>
Total Governmental Activities – Cash and Investments	<u><u>\$7,076,306</u></u>

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2007 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 semiannually, 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 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 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 2008 (other than public utility property) 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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

5. PROPERTY TAXES (Continued)

The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2006 was 18.75 percent. This was reduced to 12.5 percent for 2007, 6.5 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20, Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 District prior to June 30.

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 District prior to June 30.

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

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 delayed personal property tax and the amount of real property taxes available as an advance at June 30 was 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 unearned revenue.

The amount available as an advance at June 30, 2008, was \$177,100 in the General Fund and \$47,800 in the Bond Retirement Fund.

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 has been deferred.

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

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$175,023,780	90%	\$178,295,180	92%
Public Utility	13,340,790	7%	11,963,500	6%
Tangible Personal Property	6,422,010	3%	3,230,884	2%
Total Assessed Value	<u>\$194,786,580</u>	<u>100%</u>	<u>\$193,489,564</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$39.27		\$39.30	

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

6. INCOME TAX

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

7. RECEIVABLES

Receivables at June 30, 2008, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Title I	<u>\$15,962</u>
Total Governmental Activities	<u><u>\$15,962</u></u>

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**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

8. CAPITAL ASSETS

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

	(Restated) Balance at 6/30/07 -	Additions	Reductions	Balance at 6/30/08
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 186,282	\$ -	\$ -	\$ 186,282
Construction in Progress	21,392,603	-	(21,392,603)	-
Total Nondepreciable Capital Assets	<u>21,578,885</u>	<u>-</u>	<u>(21,392,603)</u>	<u>186,282</u>
Depreciable Capital Assets				
Land Improvements	1,699,784	2,316,524	-	4,016,308
Buildings and Building Improvements	18,903,593	22,793,860	(226,419)	41,471,034
Furniture, Fixtures, and Equipment	1,091,606	600,607	(626,271)	1,065,942
Vehicles	1,880,730	242,235	(175,786)	1,947,179
Total Depreciable Capital Assets	<u>23,575,713</u>	<u>25,953,226</u>	<u>(1,028,476)</u>	<u>48,500,463</u>
Less Accumulated Depreciation				
Land Improvements	(891,952)	(131,586)	-	(1,023,538)
Buildings and Building Improvements	(5,449,037)	(915,751)	74,578	(6,290,210)
Furniture, Fixtures, and Equipment	(751,779)	(77,529)	440,730	(388,578)
Vehicles	(1,654,378)	(106,691)	268,616	(1,492,453)
Total Accumulated Depreciation	<u>(8,747,146)</u>	<u>(1,231,557)</u>	<u>783,924</u>	<u>(9,194,779)</u>
Depreciable Capital Assets, Net	<u>14,828,567</u>	<u>24,721,669</u>	<u>(244,552)</u>	<u>39,305,684</u>
Governmental Activities Capital Assets, Net	<u>\$36,407,452</u>	<u>\$24,721,669</u>	<u>\$(21,637,155)</u>	<u>\$39,491,966</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$997,728
Special	800
Vocational	20,089
Support Services:	
Instruction Staff	18,377
Administration	32,674
Pupil Transportation	107,771
Central	690
Operations of Non-Instruction	7,296
Extracurricular	46,132
Total Depreciation Expense	<u>\$1,231,557</u>

In prior years the District had included a \$125,000 land purchase as part of land improvements. The restatement increased land and decreased land improvements \$125,000. Total Capital Assets were not affected.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	\$1,000	\$45,983,135
Automobile Liability	1,000	1,000,000
Uninsured Motorists	1,000	1,000,000
General Liability	0	
Per occurrence	0	1,000,000
Per year	0	3,000,000

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

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

10. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description - The 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, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$422,864, \$431,570, and \$424,448 respectively; 55 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. The unpaid contribution for fiscal year 2008 is \$191,220

B. State Teachers Retirement System

Plan Description - The 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 St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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 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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (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 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,092,765, \$1,132,501, and \$1,113,573, respectively, which were equal to the required contributions for each year.

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 the System 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 St., 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.

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 District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$126,255, \$128,854, and \$126,728, respectively; 55 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

(Continued)

11. POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$19,935, \$20,345, and \$20,010, respectively; 55 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The 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 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$78,055, \$80,893, and \$79,541 respectively, which were equal to the required contributions for each year.

12. EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

12. EMPLOYEE BENEFITS (Continued)

B. Life Insurance

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

13. LONG-TERM OBLIGATIONS

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

	Restated Balance at 07/01/07	Additions	Deductions	Balance at 06/30/08	Amounts Due in One Year
Building Construction Bonds	\$ 3,915,000	\$ -	(\$ 450,000)	\$3,465,000	\$470,000
School Facilities Construction	2,195,000	-	(140,000)	2,055,000	140,000
General Obligation Advance Refunding Bonds	8,765,000	-	(75,000)	8,690,000	75,000
Capital Appreciation Bonds	560,182	102,421	-	662,603	-
Serial Bond Premium	612,846	-	(24,845)	588,001	-
Note Payable for Tractor	20,981	-	(6,994)	13,987	6,994
Capital Leases	88,968	292,236	(99,891)	281,313	83,050
Compensated Absences	776,565	771,601	(776,565)	771,601	67,706
Total Long-Term Obligations	\$16,934,542	\$1,166,258	(\$1,573,295)	\$16,527,505	\$842,750

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

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

General Obligation Advance Refunding Bonds are dated 9/22/05 and consist of serial and capital appreciation bonds. The serial bonds were issued with varying interest rates of 3.0-4.10%. The District received \$9,334,989 in serial and capital appreciation bond proceeds and have a final maturity date of 12/01/25. The capital appreciation bonds will mature on December 1, 2015 and 2016. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. The maturity amount of these bonds is \$1,475,000. The fiscal year 2008 accretion amount included in the above capital appreciation bond proceeds is \$102,421.

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

The note payable for a tractor with loader was issued October 24, 2006. The note was issued with a zero percent interest rate. The note matures in October 2009.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

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

The District's voted legal debt margin was \$2,423,457 with an unvoted debt margin of \$193,490 at June 30, 2008.

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

Principal and interest requirements to retire general obligation debt, including the outstanding note payable at June 30, 2008, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2009	\$691,994	\$574,752	\$1,266,746
2010	721,993	547,610	1,269,603
2011	740,000	518,284	1,258,284
2012	770,000	486,998	1,256,998
2013	805,000	453,324	1,258,324
2014 – 2018	3,010,000	2,924,429	5,934,429
2019 – 2023	4,575,000	1,036,800	5,611,800
2024 – 2026	2,910,000	180,325	3,090,325
Total	\$14,223,987	\$6,722,522	\$20,946,509

14. CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of copy machines, postage machines, and stadium bleachers have been capitalized in the amount of \$1,015,372. The capitalized amount of the leases represents the present value of the minimum lease payment at the time of acquisition. A corresponding liability is recorded in the statement of net assets. Principal payments in fiscal year 2008 totaled \$99,891 as paid by the General Fund.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

14. CAPITAL 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.

<u>Fiscal Year Ending June 30,</u>	<u>Pitney Bowes</u>	<u>Danka Copiers</u>	<u>Allied Capital</u>
2009	\$2,712	\$31,578	\$ 68,173
2010	2,712	-	68,173
2011	904	-	68,173
2012	-	-	68,173
2013	-	-	11,362
Amount Representing Interest	<u>(2,172)</u>	<u>(4,032)</u>	<u>(34,443)</u>
Present Value of Net Minimum Lease Payments	<u>\$4,156</u>	<u>\$27,546</u>	<u>\$249,611</u>

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute. The District did not meet the spending requirement for the Textbook Reserve and the excess is therefore presented as restricted on the financial statements. The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve. Since the requirement was met in fiscal year 2008, the negative amount carried forward is the beginning balance. This negative amount is being carried forward to the next fiscal year, based on the issuance of capital related debt of \$2,700,000 during fiscal year 2006. The District will utilize this carry forward until bond maturity in fiscal year 2026.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2007	\$ 13,282	(\$2,987,693)	(\$2,974,411)
Current Year Set-aside Requirement	322,199	322,199	644,398
Current Year Offsets	-	(134,909)	(134,909)
Qualifying Disbursements	<u>(311,335)</u>	<u>(191,635)</u>	<u>(502,970)</u>
Total	<u>\$ 24,146</u>	<u>(\$2,992,038)</u>	<u>(\$2,967,892)</u>
Cash Balance Carried Forward to FY 2009	<u>\$ 24,146</u>	<u>(\$2,987,693)</u>	<u>\$ 24,146</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS

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

Metropolitan Education Council - The District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's membership payment to MEC for fiscal year 2008 was \$765. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio, 43232.

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

Coalition for Equity & Adequacy of School Funding - The District participates in the Coalition for Equity & Adequacy of School Funding, a jointly governed organization. The Ohio Coalition for Equity & Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The mission of the Coalition is to secure high quality educational opportunities for all Ohio school children without diminishing opportunities for students who reside in high capacity districts. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members and administrators also serve. Several persons serve as *ex officio* members. Steering Committee members serve without stipend or expense reimbursement from the Coalition. Financial information may be obtained from the Coalition for Equity & Adequacy of School Funding, 100 South Third Street, Columbus, Ohio 43215, by calling (614) 228-6540, or email to ohioanda@sbcglobal.net.

17. INSURANCE PURCHASING POOL

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

17. INSURANCE PURCHASING POOL (Continued)

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

18. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. Litigation

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

19. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to Other Governmental funds from:	
General Fund	<u>\$89,287</u>
Total Transfers	<u><u>\$89,287</u></u>

The purpose of the transfer was to meet the requirements of its locally funded initiative related to the classroom facilities construction project.

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

20. CONTRACTUAL COMMITMENTS

As of June 30, 2008, the District had the following contractual purchase commitments:

Company	Amount Remaining
Claggett & Sons Inc.	\$229,466
Claypool Electric	73,075
Gutridge Plumbing Inc.	6,438
Houston Plumbing Inc.	84,528
Lewis R. Polster Co.	738
Robertson Construction	552,642
Settle Muter Electric	67,971
Wachtel & Mcanally	68,499
Microman Inc.	1,886
Continental Office	4,777
Tom Sexton & Associates	16,736
Beheler Excavating, Inc.	2,400
Total	<u>\$1,109,156</u>

21. RESTATEMENT OF NET ASSETS/CHANGE IN ACCOUNTING PRINCIPLE

A. Restatement of Net Assets

During 2008, the District determined that receivables related to the District's Tax Increment Financing Agreement were previously not recognized by the District. In addition, the District determined the District's long-term debt liability was understated from prior years. This adjustment had the following effect on Net Assets as previously reported at June 30, 2007.

	<u>Governmental Activities</u>
Governmental Activities Net Assets as Previously Reported	\$31,429,499
Payment in Lieu of Taxes Receivable	860,000
Long-Term Debt Outstanding	<u>(450,000)</u>
Adjusted Governmental Activities Net Assets, June 30, 2007	<u>\$31,839,499</u>

B. Change in Accounting Principle

For 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

22. RESTATEMENT OF NET ASSETS/CHANGE IN ACCOUNTING PRINCIPLE (Continued)

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and the STRS post-employment healthcare, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Food Donation	10.550	\$ -	\$ 97,401	\$ -	\$ 97,401
<i>Child Nutrition Cluster:</i>					
School Breakfast Program	10.553	59,617	-	59,617	
National School Lunch Program	10.555	240,057	-	240,057	-
<i>Total Child Nutrition Cluster</i>		<u>299,674</u>	<u>-</u>	<u>299,674</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>299,674</u>	<u>97,401</u>	<u>299,674</u>	<u>97,401</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	135,569	-	128,334	-
<i>Special Education Cluster:</i>					
Special Education - Grants to States	84.027	435,668	-	434,520	-
Special Education - Preschool Grants	84.173	-	9,098	-	9,098
<i>Total Special Education Cluster</i>		<u>435,668</u>	<u>9,098</u>	<u>434,520</u>	<u>9,098</u>
Safe and Drug Free Schools and Communities State Grants	84.186	5,803	-	5,803	-
State Grants for Innovative Programs	84.298	4,641	-	4,641	-
Education Technology State Grants	84.318	1,533	-	1,533	-
Improving Teacher Quality State Grants	84.367	62,272	-	62,272	-
Total U.S. Department of Education		<u>645,486</u>	<u>9,098</u>	<u>637,103</u>	<u>9,098</u>
Total Federal Awards		<u>\$ 945,160</u>	<u>\$ 106,499</u>	<u>\$ 936,777</u>	<u>\$ 106,499</u>

The accompanying notes are an integral part of this schedule.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – OTHER NON-CASH AWARDS

The District had the following non-cash federal receipts and disbursements which were passed through the Ohio Department of Education for fiscal year 2008:

<u>Cluster/Program Title</u>	<u>Federal CFDA Number</u>	<u>Non-Cash Receipts</u>	<u>Non-Cash Disbursements</u>
Special Education-Preschool Grants	84.173	\$ 9,098	\$ 9,098



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Valley Local School District, Licking County, Ohio (the District) as of and for the fiscal year ended June 30, 2008 which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2008. As disclosed in Note 21, we noted the District restated net assets, and implemented GASB Statement No.'s 45, 48, and 50. 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 auditing 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 the 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 a material weakness, as defined above. However, we noted a certain matter that we reported to the District's management in a separate letter dated December 20, 2008.

Wilson, Shannon & Snow, Inc.

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

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 effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Newark, Ohio
December 20, 2008



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

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

Compliance

We have audited the compliance of the Licking Valley Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the fiscal 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 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 about 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 Valley Local School District, Licking County, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control over Compliance

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

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 entity's ability to administer a federal program such that there is more than a remote likelihood that the entity'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 compliance with a federal program's compliance requirements.

Our consideration of the 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.

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



Newark, Ohio
December 20, 2008

**LICKING VALLEY 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>	Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for each major federal program?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in its internal control for each major federal program?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I\CFDA #84.010; Special Education Cluster\ CFDA #84.027 and CFDA #84.173
<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

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

JUNE 30, 2008

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain:
2007-001	District monitoring of financial reporting.	Yes	N/A



Mary Taylor, CPA
Auditor of State

LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 24, 2009