



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011



Dave Yost • Auditor of State

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
<u>Government-wide Financial Statements:</u>	
Statement of Net Assets.....	11
Statement of Activities.....	12
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) - General Fund.....	17
Statement of Fiduciary Net Assets - Agency Fund.....	18
Notes to the Basic Financial Statements.....	19
Federal Awards Receipts and Expenditures Schedule.....	59
Notes to the Federal Awards Receipts and Expenditures Schedule.....	60
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	61
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	63
Schedule of Findings.....	65

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Licking Heights Local School District
Licking County
6539 Summit Road SW
Pataskala, Ohio 43062

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information 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. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 20, 2012

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (UNAUDITED)

This discussion and analysis of the Licking Heights Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- At fiscal year-end, the School District's Net Assets totaled \$5.9 million, a \$4.4 million decrease from the prior fiscal year.
- General and Program-specific revenues totaled \$27.9 million and \$3.9 million, respectively.
- The School District had \$36.1 million in expenses. As stated above, only \$3.9 million of these expenses were offset by program revenues. The net expenses of the School District's programs are funded by general revenues, consisting primarily of property taxes and unrestricted grants and entitlements.

Using the Basic Financial Statements

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (UNAUDITED)

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (UNAUDITED)

Fiduciary Funds

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

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 19 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets exceed liabilities by \$5.9 million (net assets) at the close of the current fiscal year.

The largest portion of the School District's net assets (83 percent) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

An analysis of fiscal year 2011 in comparison with fiscal year 2010 follows for the Statement of Net Assets:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current Assets	\$ 37,051,215	\$ 28,391,527	30.50%
Capital Assets	57,612,580	58,602,098	-1.69%
Total Assets	<u>94,663,795</u>	<u>86,993,625</u>	8.82%
Current Liabilities	18,924,478	16,832,699	12.43%
Long-term Liabilities	69,805,863	59,840,393	16.65%
Total Liabilities	<u>88,730,341</u>	<u>76,673,092</u>	15.73%
Invested in Capital Assets net of related debt	4,901,775	5,466,825	-10.34%
Restricted	2,519,019	2,451,730	2.74%
Unrestricted	(1,487,340)	2,401,978	-161.92%
Total Net Assets	<u>\$ 5,933,454</u>	<u>\$ 10,320,533</u>	-42.51%

Current assets increased \$8.7 million in comparison with the prior fiscal year. This increase is primarily the result of a \$9.2 million increase in Cash and Investments as a result of the School District's \$10.2 million bond issuance.

Long-term liabilities increased by \$10 million. This increase is also primarily the result the School District's \$10.2 million bond issuance.

Unrestricted net assets decreased \$3.9 million in comparison with the prior fiscal year. This decrease represents the amount in which net program expenses exceeded general revenues.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

An analysis of fiscal year 2011 in comparison with fiscal year 2010 follows for the Statement of Activities:

Governmental Activities			
	2011	2010	Percent Change
Program Revenues			
Charges for Services	\$ 1,284,805	\$ 1,289,722	-0.38%
Operating Grants	2,575,310	2,226,211	15.68%
General Revenues			
Property Taxes	15,784,099	17,897,076	-11.81%
Revenue in Lieu of Taxes	1,659,139	1,946,301	-14.75%
Grants and Entitlements not Restricted to Specific Programs	10,327,810	10,620,534	-2.76%
Investment Earnings	24,072	27,333	-11.93%
Miscellaneous	72,034	104,214	-30.88%
Total Revenues	31,727,269	34,111,391	-6.99%
Program Expenses			
Instructional	17,629,711	16,455,627	7.13%
Support Services	11,579,987	11,214,084	3.26%
Non-Instructional	1,309,160	1,319,154	-0.76%
Extra Curricular Activities	674,834	607,507	11.08%
Interest and Fiscal Charges	3,485,831	2,969,618	17.38%
Unallocated Depreciation	1,434,825	1,422,999	0.83%
Total Expenses	36,114,348	33,988,989	6.25%
Change in Net Assets	(4,387,079)	122,402	
Net Assets at Beginning of Year	10,320,533	10,198,131	
Net Assets at End of Year	\$ 5,933,454	\$ 10,320,533	

Governmental Activities

Property taxes decreased \$2.1 million in comparison with the prior fiscal year. This decrease is the result of fluctuations in property taxes available to be advanced at fiscal year-end, as reported by the County Auditor.

Total expenses increased \$2.1 million, or 6 percent in comparison with the prior fiscal year. For the most part, this increase represents inflationary increases and increased interest expense.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the costs of program services and the net cost of those services after taking into account program revenues. General revenues including tax revenue, unrestricted State entitlements and investment earnings must support the net cost of program services.

An analysis of fiscal year 2011 in comparison with fiscal year 2010 follows:

	<u>Total Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2011</u>	<u>Net Cost of Services 2010</u>
Program expenses				
Instructional	\$ 17,629,711	\$ 16,455,627	\$ 16,366,477	\$ 15,194,996
Support services	11,579,987	11,214,084	10,747,930	10,474,967
Non-Instructional	1,309,160	1,319,154	(42,191)	59,690
Extra Curricular Activities	674,834	607,507	403,189	350,786
Interest	3,485,831	2,969,618	3,344,003	2,969,618
Unallocated Depreciation	1,434,825	1,422,999	1,434,825	1,422,999
Total	<u>\$ 36,114,348</u>	<u>\$ 33,988,989</u>	<u>\$ 32,254,233</u>	<u>\$ 30,473,056</u>

Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$16.7 million, an increase of \$7.5 million in comparison with the prior fiscal year. The School District's entire fund balance is either restricted by external third parties for specific purposes (\$14.8 million) or assigned by the School District for specific purposes (\$2 million).

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

An analysis of fiscal year 2011 in comparison with fiscal year 2010 follows:

	<u>Fund Balance June 30, 2011</u>	<u>Restated Fund Balance June 30, 2010</u>	<u>Variance</u>
General Fund	\$ 1,972,707	\$ 3,666,012	\$ (1,693,305)
Debt Service Fund	2,336,932	2,978,493	(641,561)
Building Fund	11,686,597	2,024,280	9,662,317
Other Governmental Funds	680,029	456,241	223,788
Total Governmental Funds	<u>\$ 16,676,265</u>	<u>\$ 9,125,026</u>	<u>\$ 7,551,239</u>

General Fund

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,590. Fund balance in the General Fund decreased \$1.7 million during the current fiscal year. This decrease represents the amount in which expenditures exceeded revenues during the fiscal year.

Debt Service Fund

Fund balance in the Debt Service Fund decreased \$.6 million during the fiscal year. This decrease represents the amount in which current year debt service expenditures exceeded property tax and property tax related revenues.

Building Fund

Fund balance in the Building Fund increased \$9.6 million during the fiscal year. This increase is primarily the result of new bond proceeds totaling \$10.2 million.

General Fund Budget Information

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

For the General Fund, the variances between original and final budgeted revenues and expenditures, and final and actual revenues and expenditures, were insignificant.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Capital Assets

At the end of the fiscal year, the School District had \$57.6 million (net of accumulated depreciation) invested in capital assets, a decrease of \$1 million in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation (\$1.9 million) and disposals (\$18,195) exceeded capital acquisitions (\$1 million). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

Debt

At the end of the fiscal year, the School District had total bonded debt outstanding of \$68.9 million, an increase of \$9.9 million in comparison with the prior fiscal year. This increase represents the amount in which current year issuances (\$10.3 million) and accretion/amortization (\$.5 million) exceeded principal payments (\$.9 million).

Detailed information regarding long-term obligations is included in Notes 14 to the basic financial statements. Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. At fiscal year-end, the School District's general obligation debt was below the legal limit.

Contacting the School District's Financial Management

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 9,721,775
Investments	5,997,811
Receivables:	
Property Taxes	18,748,280
Revenue in Lieu of Taxes	1,329,587
Intergovernmental	273,888
Accounts	24,632
Materials and Supplies Inventory	20,808
Deferred Bond Issuance Costs	934,434
Nondepreciable Capital Assets	2,141,744
Depreciable Capital Assets, Net	<u>55,470,836</u>
Total Assets	<u>94,663,795</u>
Liabilities	
Accounts Payable	249,779
Accrued Wages and Benefits Payable	2,590,189
Intergovernmental Payable	784,439
Accrued Interest Payable	305,024
Unearned Revenue	14,995,047
Long-Term Liabilities	
Due within One Year	1,084,433
Due in More Than One Year	<u>68,721,430</u>
Total Liabilities	<u>88,730,341</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,901,775
Restricted for:	
Permanent Improvement	731,444
Building Fund	1,743,538
Special Trust	6,279
Extracurricular Activities	36,551
State and Federal Grants	1,207
Unrestricted	<u>(1,487,340)</u>
Total Net Assets	<u><u>\$ 5,933,454</u></u>

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 13,128,039	\$ 267,184	\$ 287,960	\$ (12,572,895)
Special	3,787,525	84,324	504,312	(3,198,889)
Vocational	323,808	7,055	-	(316,753)
Other	390,339	33,580	78,819	(277,940)
Support Services				
Pupils	1,253,253	-	163,202	(1,090,051)
Instructional Staff	1,438,565	-	36,389	(1,402,176)
Board of Education	90,480	-	-	(90,480)
Administration	2,254,361	-	213,041	(2,041,320)
Fiscal	661,117	-	-	(661,117)
Operation and Maintenance of Plant	3,003,827	-	246,019	(2,757,808)
Pupil Transportation	2,609,456	-	64,540	(2,544,916)
Central	268,928	-	108,866	(160,062)
Non-Instructional Services	1,309,160	644,032	707,319	42,191
Extracurricular Activities	674,834	248,630	23,015	(403,189)
Unallocated Depreciation	1,434,825	-	-	(1,434,825)
Interest and Fiscal Charges	3,485,831	-	141,828	(3,344,003)
Total Governmental Activities	\$ 36,114,348	\$ 1,284,805	\$ 2,575,310	(32,254,233)

General Revenues	
Property Taxes Levied for:	
General Purposes	12,471,120
Debt Service	2,508,680
Permanent Improvement	804,299
Revenue in Lieu of Taxes	1,659,139
Grants & Entitlements not Restricted to Specific Programs	10,327,810
Investment Earnings	24,072
Miscellaneous	72,034
Total General Revenues	27,867,154
Change in Net Assets	(4,387,079)
Net Assets Beginning of Year	10,320,533
Net Assets End of Year	\$ 5,933,454

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2011**

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,517,931	\$ 1,690,029	\$ 5,787,919	\$ 725,896	\$ 9,721,775
Investments	-	-	5,997,811	-	5,997,811
Receivables:					
Property Taxes	14,885,444	2,935,588	-	927,248	18,748,280
Revenue in Lieu of Taxes	1,329,587	-	-	-	1,329,587
Intergovernmental	27,499	-	-	246,389	273,888
Accounts	24,632	-	-	-	24,632
Interfund	182,146	-	-	-	182,146
Materials and Supplies Inventory	-	-	-	20,808	20,808
Total Assets	\$ 17,967,239	\$ 4,625,617	\$ 11,785,730	\$ 1,920,341	\$ 36,298,927
Liabilities:					
Accounts Payable	\$ 74,185	\$ -	\$ 99,133	\$ 76,461	\$ 249,779
Accrued Wages and Benefits Payable	2,407,481	-	-	182,708	2,590,189
Intergovernmental Payable	717,329	-	-	67,110	784,439
Interfund Payable	-	-	-	182,146	182,146
Deferred Revenue	12,795,537	2,288,685	-	731,887	15,816,109
Total Liabilities	15,994,532	2,288,685	99,133	1,240,312	19,622,662
Fund Balances:					
Restricted for:					
Debt Service	-	2,336,932	-	-	2,336,932
Permanent Improvement	-	-	-	691,424	691,424
Building Fund	-	-	11,686,597	-	11,686,597
Special Trust	-	-	-	6,279	6,279
Extracurricular Activities	-	-	-	36,551	36,551
State and Federal Grants	-	-	-	912	912
Assigned for:					
Public School Support	79,803	-	-	-	79,803
Future Appropriations	1,879,442	-	-	-	1,879,442
Encumbrances	11,872	-	-	-	11,872
Unassigned:	1,590	-	-	(55,137)	(53,547)
Total Fund Balances	1,972,707	2,336,932	11,686,597	680,029	16,676,265
Total Liabilities and Fund Balances	\$ 17,967,239	\$ 4,625,617	\$ 11,785,730	\$ 1,920,341	\$ 36,298,927

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total Governmental Fund Balances \$ 16,676,265

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 57,612,580

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Delinquent Property Tax Receivables	779,346
Revenue in Lieu of Taxes	38,082
Intergovernmental Receivables	3,634

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and Notes Payable	(66,510,678)
Unamortized Issuance Premiums	(3,642,722)
Unamortized Losses on Refundings	1,558,480
Unamortized Gain on Refunding	(287,894)
Unamortized Bond Issuance Costs	934,434
Accrued Interest Payable	(305,024)
Capital Leases Payable	(10,590)
Compensated Absence Payable	(912,459)
	(69,176,453)

Net Assets of Governmental Activities \$ 5,933,454

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 12,387,011	\$ 2,513,373	\$ -	\$ 804,495	\$ 15,704,879
Revenue in Lieu of Taxes	2,671,150	-	-	-	2,671,150
Intergovernmental	9,807,938	550,334	-	2,566,373	12,924,645
Investment Earnings	10,131	-	13,941	-	24,072
Tuition and Fees	390,031	-	-	-	390,031
Rent	17,075	-	-	-	17,075
Extracurricular Activities	154,817	-	-	85,685	240,502
Contributions and Donations	34,465	-	-	56,076	90,541
Customer Sales and Services	-	-	-	644,032	644,032
Miscellaneous	39,235	-	-	2,122	41,357
Total Revenues	<u>25,511,853</u>	<u>3,063,707</u>	<u>13,941</u>	<u>4,158,783</u>	<u>32,748,284</u>
Expenditures:					
Instruction:					
Regular	12,434,316	-	7,833	535,858	12,978,007
Special	3,254,203	-	-	520,144	3,774,347
Vocational	289,796	-	-	25,982	315,778
Other	312,573	-	-	77,766	390,339
Support services:					
Pupils	1,065,923	-	-	169,569	1,235,492
Instructional Staff	1,342,589	-	-	104,833	1,447,422
Board of Education	90,480	-	-	-	90,480
Administration	2,024,429	-	-	216,661	2,241,090
Fiscal	604,312	45,120	-	14,342	663,774
Operation and Maintenance of Plant	2,757,388	-	-	490,740	3,248,128
Pupil Transportation	2,353,641	-	-	176,737	2,530,378
Central	108,415	-	-	116,670	225,085
Non-Instructional Services					
Extracurricular Activities	579,962	-	-	1,285,554	1,285,554
Capital Outlay	-	-	344,772	36,741	744,360
Debt service:					
Principal Retirement	3,370	865,000	-	-	868,370
Interest and Fiscal Charges	1,106	2,795,148	-	-	2,796,254
Bond Issuance Costs	-	-	267,465	-	267,465
Total Expenditures	<u>27,222,503</u>	<u>3,705,268</u>	<u>620,070</u>	<u>3,935,995</u>	<u>35,483,836</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,710,650)</u>	<u>(641,561)</u>	<u>(606,129)</u>	<u>222,788</u>	<u>(2,735,552)</u>
Other Financing Sources (Uses):					
Sale of Capital Assets	4,297	-	-	1,000	5,297
Proceeds from Insurance Recoveries	13,048	-	-	-	13,048
Bond Proceeds	-	-	10,230,000	-	10,230,000
Premium on Bond Proceeds	-	-	38,446	-	38,446
Total Other Financing Sources (Uses)	<u>17,345</u>	<u>-</u>	<u>10,268,446</u>	<u>1,000</u>	<u>10,286,791</u>
Net Change in Fund Balances	(1,693,305)	(641,561)	9,662,317	223,788	7,551,239
Fund Balances - Beginning of Year, Restated	3,666,012	2,978,493	2,024,280	456,241	9,125,026
Fund Balances - End of Year	<u>\$ 1,972,707</u>	<u>\$ 2,336,932</u>	<u>\$ 11,686,597</u>	<u>\$ 680,029</u>	<u>\$ 16,676,265</u>

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 7,551,239

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation Expense	(1,922,640)
Capital Outlay	951,317

The net effect of various transactions involving capital assets (i.e. sales, disposals, etc.) (18,195)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,039,360)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Issuance of Bonds	(10,230,000)
Premium on Bonds	(38,446)
Bond Issuance Costs	267,465
Bond and Note Principal Repayments	865,000
Capital Lease Principal Repayments	3,370
Amortization of Bond Issuance Costs	(58,893)
Amortization of Bond Issuance Premiums	241,196
Amortization of Losses on Refundings	(95,558)
Amortization of Gain on Refunding	16,690

Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated Absences	(87,252)
Accrued Interest	(96,046)
Accretion of Capital Appreciation Bonds	<u>(696,966)</u>

Change in Net Assets of Governmental Activities \$ (4,387,079)

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 13,741,585	\$ 13,378,205	\$ 13,378,205	\$ -
Revenue in Lieu of Taxes	2,882,966	2,806,729	2,806,729	-
Intergovernmental	10,074,343	9,807,938	9,807,938	-
Investment Earnings	10,785	10,500	10,131	(369)
Tuition and Fees	400,626	390,031	390,031	-
Rent	17,539	17,075	17,075	-
Contributions and Donations	514	11,800	11,800	-
Miscellaneous	37,348	36,363	37,054	691
Total Revenues	27,165,706	26,458,641	26,458,963	322
Expenditures:				
Instruction:				
Regular	12,205,763	12,441,131	12,441,129	2
Special	3,167,373	3,234,034	3,234,033	1
Vocational	281,121	287,037	287,037	-
Other	280,976	308,318	308,318	-
Support services:				
Pupils	1,045,618	1,067,623	1,067,622	1
Instructional Staff	1,321,821	1,349,428	1,349,428	-
Board of Education	63,745	64,986	64,986	-
Administration	1,967,589	2,008,999	2,008,998	1
Fiscal	589,115	601,514	601,514	-
Operation and Maintenance of Plant	2,751,296	2,809,200	2,809,200	-
Pupil Transportation	2,305,506	2,353,737	2,353,651	86
Central	107,078	109,332	109,332	-
Extracurricular Activities	390,648	398,870	398,870	-
Total Expenditures	26,477,649	27,034,209	27,034,118	91
Excess of Revenues Over (Under) Expenditures	688,057	(575,568)	(575,155)	413
Other Financing Sources (Uses):				
Sale of Capital Assets	8,238	8,020	8,020	-
Proceeds from Insurance Recoveries	13,402	13,048	13,048	-
Advances In	71,280	69,395	69,395	-
Advances Out	-	(182,146)	(182,146)	-
Total Other Financing Sources (Uses)	92,920	(91,683)	(91,683)	-
Net Change in Fund Balance	780,977	(667,251)	(666,838)	413
Fund Balances at Beginning of Year	2,052,452	2,052,452	2,052,452	-
Prior Year Encumbrances Appropriated	32,846	32,846	32,846	-
Fund Balances at End of Year	\$ 2,866,275	\$ 1,418,047	\$ 1,418,460	\$ 413

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
AS OF JUNE 30, 2011

	Student Managed <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 67,758
Total Assets	<u>67,758</u>
Liabilities	
Undistributed Monies	67,758
Total Liabilities	<u>\$ 67,758</u>

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1956 and is located just east of the City of Columbus about one-half mile from the Franklin County border. The School District serves an area of approximately 36 square miles. It is located in Licking and Franklin Counties and covers parts of the City of Pataskala, the Jersey Township, and St. Albans and Etna Townships in Licking County and parts of Jefferson Township, the City of Reynoldsburg, City of New Albany and the City of Columbus in Franklin County. It is staffed by 160 non-certificated employees, 221 certificated teaching personnel, and 18 administrative personnel who provide services to 3,437 students and other community members. The School District currently operates five instructional buildings, one administrative building, and a bus garage.

Reporting Entity

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

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

The School District participates in several organizations which are defined as jointly governed organizations. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, and the School Study Council of Ohio. These organizations are presented in Note 16 to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds

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

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

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

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

Building Fund – The Building Fund accounts for the accumulation of bond proceeds used for the construction and renovation of buildings within the School District.

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

Fiduciary Fund

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means that the amount of the transaction can be determined, and “available” means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Unearned/Deferred Revenue

On governmental fund financial statements, assets recognized before revenue recognition criteria have been satisfied, including property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and grants and entitlements received before the eligibility requirements are met, and receivables that will not be collected within the available period have also been reported as deferred revenue.

On the entity-wide financial statements, property taxes levied to finance fiscal year 2012 operations and assets recognized before revenue recognition criteria have been met are reported as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget is waived by the Licking County Budget Commission (Budget Commission) under the authority of Section 5705.281 of the Revised Code. The Budget Commission accepts the School District's five year forecast in place of the tax budget. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Cash and Cash Equivalents" on the financial statements.

During fiscal year 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), federal agency securities, commercial paper, and a money market account.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$10,131. The building fund was credited also in the amount of \$13,941.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as Cash and Cash Equivalents. Investments with an original maturity greater than three months at the time they are purchased are presented on the financial statements as Investments.

G. Inventory

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

H. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Land Improvements	10 – 20
Buildings and Improvements	20 – 45
Furniture, Fixtures and Equipment	7 – 20
Vehicles	5 – 20

On the Statement of Activities, depreciation of assets that serve all functions of the School District, consisting primarily of school buildings, is reported as “Unallocated Depreciation”.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivable” and “Interfund Payables”. These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The School District records a liability for all employees meeting the retirement criteria outlined by the pension systems as well as all employees with 10 or more years of service with the School District.

K. Bond Premiums/Issuance Costs/Accretion/Gain and Loss on Refunding

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

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

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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

Restricted – Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

The District applies restricted resources first when disbursements are incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and the unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

N. Internal Activity

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Net Assets

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

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

P. Estimates

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

NOTE 3 – ACCOUNTABILITY

Fund balances at fiscal year-end included the following individual deficits:

<u>Fund Name</u>	<u>Amount</u>
Food Service	\$ (8,856)
Other Local Grants	(753)
Title VI-B IDEA	(27,263)
Nutrition	(1,486)
Title I Disadvantaged Children	(15,852)
Improving Teacher Quality	(927)

The fund deficits listed above resulted from the application of accounting principles generally accepted in the United States of America. The General Fund is liable for the deficits in the Other Governmental Funds and provides operating transfers when cash is required, not when accruals occur.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund, no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, this fund is presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria.

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

Net Change in Fund Balance

GAAP Basis	\$ (1,693,305)
Adjustments:	
Public School Support Fund	388
Revenue Accruals	1,136,593
Expenditure Accruals	21,233
Other Financing Sources/Uses	(112,751)
Encumbrances	(18,996)
Budget Basis	\$ (666,838)

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

Deposits

Custodial Credit Risk - In the case of deposits, this is the risk that, in the event of a bank failure, the School District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District’s deposits was \$6,785,645, and the bank balance was \$7,175,625. Of the School District’s bank balance, \$6,526,793 was exposed to custodial risk because it was uninsured and uncollateralized, while \$648,832 was covered by Federal Deposit Insurance. The School District also had \$4,000 in petty cash on hand at fiscal year end. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments - At fiscal year-end, the School District had the following investments:

Investment Type	Fair Value	Percent of Total	Investment Maturities	
			Within 1 Year	1 to 2 Years
STAR Ohio	\$ 2,872,968	32%	\$ 2,872,968	\$ -
Money Market Fund	126,920	1%	126,920	-
Commercial Paper	998,111	11%	998,111	-
Federal Home Loan Bank Note	3,000,000	33%	3,000,000	-
Federal Farm Credit Bank Note	1,999,700	22%	-	1,999,700
Total	<u>\$ 8,997,699</u>	<u>100%</u>	<u>\$ 6,997,999</u>	<u>\$ 1,999,700</u>

Interest Rate Risk - The School District’s investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years. The Treasurer cannot make investments which she does not reasonably believe can be held until the maturity date.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Credit Risk - STAROhio, Commercial Paper, Federal Home Loan Bank Note, and Federal Credit Bank Note carry a rating of AAAm by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute. The School District has no investment policy that addresses credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment policy dealing with investment custodial credit 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 School District places no limit on the amount it may invest in any one issuer except for commercial paper. The School District's investments in the category of Commercial Paper, Federal Home Loan Bank Note, Federal Credit Bank Note and STAR Ohio exceeded 5 percent of the School District's total investments.

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 – PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Licking and Franklin Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amounts available to be advanced can vary based on the date the tax bills are sent.

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

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

The amount available as an advance at fiscal year-end was \$3,285,201 in the General Fund, \$646,903 in the Debt Service Fund, and \$204,334 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2010, was \$4,276,395 in the General Fund, \$1,086,894 in the Debt Service Fund and \$332,715 in the Permanent Improvement Fund.

The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2010 Second Half Collections</u>		<u>2011 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 511,206,390	98.08%	\$ 512,114,610	98.00%
Public Utility Personal	10,020,840	1.92%	10,434,090	1.99%
Total	<u>\$ 521,227,230</u>	<u>100.00%</u>	<u>\$ 522,548,700</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 46.24		\$ 46.22	

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 – RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

<u>Description</u>	<u>Amount</u>
Pension Overpayment	\$ 27,499
Race to the Top	4,824
Title VI-B IDEA	186,407
Limited English Proficiency	18,780
Title I Disadvantaged Children	30,081
Improving Teacher Quality	6,297
Total Intergovernmental Receivables	<u>\$ 273,888</u>

Revenue in Lieu of Taxes

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

The School District also receives revenue in lieu of taxes from a revenue sharing agreement with the City of Reynoldsburg. Licking County and the City of Reynoldsburg entered into an enterprise zone agreement to allow several businesses a tax exemption on tangible personal property taxes. The School District is to receive 50 percent of income tax revenue collected by the City of Reynoldsburg on new jobs created by the enterprise zone. This agreement will expire during fiscal year 2020.

The School District also receives revenue in lieu of taxes from a revenue sharing agreement with the City of New Albany whereas the City of New Albany has declared improvements to certain parcels of real property within the City 100 percent exempt from property taxes. The School District is to receive 50 percent of income tax revenue collected by the City of New Albany on new jobs created by the exempt parcels, not to exceed the amount the School District could have received as real property tax payments derived from the improvements had the exemption not been declared.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 1,821,947	\$ -	\$ -	\$ 1,821,947
Construction in Progress	-	319,797		319,797
Total Nondepreciable Assets	1,821,947	319,797	-	2,141,744
Depreciable Capital Assets				
Land Improvements	439,730	279,845	-	719,575
Buildings	66,466,637	50,546	(6,852)	66,510,331
Furniture, Fixtures and Equipment	1,850,803	130,728	(62,976)	1,918,555
Vehicles	2,967,480	170,401	(8,315)	3,129,566
Total Depreciable Assets	71,724,650	631,520	(78,143)	72,278,027
Less accumulated depreciation				
Land Improvements	(145,854)	(39,502)	-	(185,356)
Buildings	(11,745,169)	(1,443,297)	762	(13,187,704)
Furniture and Equipment	(971,241)	(208,203)	56,851	(1,122,593)
Vehicles	(2,082,235)	(231,638)	2,335	(2,311,538)
Total accumulated depreciation	(14,944,499)	(1,922,640)	59,948	(16,807,191)
Depreciable Capital Assets, Net of accumulated depreciation	56,780,151	(1,291,120)	(18,195)	55,470,836
Total Capital Assets, Net	\$ 58,602,098	\$ (971,323)	\$ (18,195)	\$ 57,612,580
Instruction Regular	\$ 107,130			
Instruction Special	9,293			
Instructional Staff	5,820			
Administration	8,447			
Operations and Maintenance	46,820			
Pupil Transportation	237,321			
Central	37,176			
Food Services	22,343			
Extracurricular Activities	13,465			
Unallocated	1,434,825			
Total depreciation expense	\$ 1,922,640			

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

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

Insurance coverage provided includes the following:

Building and Contents replacement cost (\$1,000 deductible)	\$63,373,500
General Liability (per Occurrence)	\$1,000,000
Annual Aggregate	\$3,000,000
Personal and Advertising Injury Aggregate	\$1,000,000
Automobile Liability (\$1,000 deductible)	\$1,000,000
Uninsured Motorists (\$1,000 deductible)	\$1,000,000
Medical Payments	\$5,000
Educators Legal Liability (Each Wrongful Act)	\$1,000,000
Annual Aggregate	\$3,000,000
Employment Practices Liability (Each Wrongful Act \$5,000 deductible)	\$1,000,000
Annual Aggregate	\$3,000,000
Back Wages Limit (\$10,000 deductible)	\$50,000
Commercial Excess Liability (Each Occurrence)	\$5,000,000
Annual Aggregate	\$5,000,000

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

B. Workers' Compensation

The School District pays its workers' compensation premium to the State based on its individual rate provided by Bureau of Workers Compensation. The School District has contracted with Hunter Consulting to provide third party administration services and the Corvel Managed Care Organization to provide managed care services.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.8%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$504,110, \$499,154 and \$323,100, respectively, 44 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The School District's unpaid contribution for fiscal year 2011 has been recorded as a liability in the appropriate funds.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. 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 toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,607,164, \$1,495,773, and \$1,393,724, respectively; 88 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The School District's unpaid contribution for fiscal year 2011 has been recorded as a liability in the appropriate funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011 one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The School District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$32,441, \$29,684, and \$26,658, respectively, 44 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2011, 2010, and 2009 were \$124,914, \$79,485, and \$225,393, respectively, 44 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio

Plan Description - The School District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the “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 writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

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 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$123,628, \$115,059, and \$107,210, respectively; 88 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 12 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, sick leave and personal leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

All employees earn sick leave at the rate of one and one-fourth days per month. For part-time employees, each day of accumulation is a pro-rated day equal to the number of hours employed. Sick leave may be accumulated up to 320 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum payment of 80 days for all certificated and classified employees. All employees earn additional bonus severance days based upon years of service. Certified employees earn one to five days and classified employees earn one to six days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through American United and dental insurance is provided by Delta Dental. Health Insurance is provided to the School District by Anthem. Vision insurance is offered by the School District, but the employees pay the total premium.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 – EMPLOYEE BENEFITS (continued)

C. Deferred Compensation

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

NOTE 13 – LEASES – LESSEE DISCLOSURE

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

Capital assets acquired by lease were initially capitalized in the amount of \$72,953 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments during the fiscal year totaled \$3,370 and were paid from the General Fund. The assets acquired through capital leases as of June 30, 2011, were acquired at cost of \$72,953. At fiscal year-end the copiers have accumulated depreciation of \$71,989 for a net book value of \$964.

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 fiscal year-end:

Fiscal Year	Principal	Interest	Total
2013	3,682	794	4,476
2014	4,023	453	4,476
2015	2,885	97	2,982
Total	<u>\$ 10,590</u>	<u>\$ 1,344</u>	<u>\$ 11,934</u>

The School District has entered into a noncancelable operating lease for the use of computers. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments during the fiscal year totaled \$14,706 in the General Fund. The final lease payment was made in fiscal year 2011.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2011 were as follows:

General Obligation Bonds:	Amounts Outstanding 6/30/10	Additions	Deductions	Amounts Outstanding 6/30/11	Amounts Due Within One Year
2000 School Improvement Bonds- 6.4%	\$ 905,000	\$ -	\$ (5,000)	\$ 900,000	\$ 5,000
2001 School Improvement Bonds- 4.55% to 6.0%					
Serial Bonds	115,000	-	(115,000)	-	-
Capital Appreciation Bonds (CABS)	74,032	-	-	74,032	-
Accretion on CABS	696,372	210,562	-	906,934	-
2004 School Improvement Bonds- Serial Bonds- 2.75% to 4.75%	8,010,000	-	(190,000)	7,820,000	-
Capital Appreciation Bonds (CABS)- 4.15% to 4.75%	70,000	-	-	70,000	15,000
Accretion on CABS	661,346	347,844	-	1,009,190	257,685
Unmortized Premium	903,560	-	(75,297)	828,263	-
2005 School Construction Current Refunding Bonds					
Serial Bonds- 3.5% to 4.0%	6,770,000	-	(255,000)	6,515,000	265,000
Term Bonds- 5.0%	3,170,000	-	-	3,170,000	-
Unmortized Premium	505,181	-	(21,965)	483,216	-
2005 School Bus Bonds- 3.5% to 4.0%	575,000	-	(90,000)	485,000	90,000
Unmortized Premium	11,033	-	(1,839)	9,194	-
2005 School Improvement Advance Refunding Bonds					
Serial Bonds- 3.5% to 5.0%	14,545,000	-	(75,000)	14,470,000	245,000
Term Bonds- 5.0%	2,110,000	-	-	2,110,000	-
Capital Appreciation Bonds (CABS)- 4.17% to 4.4%	174,994	-	-	174,994	-
Accretion on CABS	192,572	58,815	-	251,387	-
Unmortized Premium	1,290,980	-	(67,946)	1,223,034	-
Loss on Refunding	(1,133,464)	59,656	-	(1,073,808)	-

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds:	Amounts Outstanding 6/30/10	Additions	Deductions	Amounts Outstanding 6/30/11	Amounts Due Within One Year
2006 Advance Refunding Bonds-					
4.0%					
Serial Bonds	3,600,000	-	(85,000)	3,515,000	90,000
Term Bonds	5,350,000	-	-	5,350,000	-
Capital Appreciation Bonds (CABS)	29,993	-	-	29,993	-
Accretion on CABS	82,972	51,883	-	134,855	-
Unmortized Premium	651,048	-	(44,900)	606,148	-
Loss on Refunding	(520,574)	35,902	-	(484,672)	-
2007 Advance Refunding Bonds					
Serial Bonds- 4.0% to 4.3%					
Serial Bonds	7,535,000	-	(50,000)	7,485,000	50,000
Term Bonds- 4.0% to 4.1%					
Term Bonds	1,685,000	-	-	1,685,000	-
Capital Appreciation Bonds (CABS)-					
4.17%					
Capital Appreciation Bonds	49,998	-	-	49,998	-
Accretion on CABS	46,433	27,862	-	74,295	-
Unmortized Premium	483,670	-	(26,502)	457,168	-
Gain on Refunding	304,584	-	(16,690)	287,894	-
2010A Certificates of Participation					
Serial Bonds					
Serial Bonds	-	2,210,000	-	2,210,000	-
Premium					
Premium	-	38,446	(2,747)	35,699	-
2010B Certificates of Participation (QSCB)					
Serial Bonds					
Serial Bonds	-	4,000,000	-	4,000,000	-
2010C Certificates of Participation					
Serial Bonds					
Serial Bonds	-	4,020,000	-	4,020,000	-
Capital Leases					
Capital Leases	13,960	-	(3,370)	10,590	3,682
Compensated Absences					
Compensated Absences	825,207	187,957	(100,705)	912,459	63,066
Total Governmental Activities Long-Term Obligations	<u>\$ 59,783,897</u>	<u>\$ 11,248,927</u>	<u>\$ (1,226,961)</u>	<u>\$ 69,805,863</u>	<u>\$ 1,084,433</u>

2000 School Improvement Bonds

The School District issued School Improvement General Obligation Bonds in the amount of \$950,000 on May 1, 2000. The bonds were issued for a 28 year period with final maturity at December 1, 2028.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2001 School Improvement Bonds

On September 15, 2000, the School District issued \$24,049,032 in voted general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$11,825,000, \$12,150,000, and \$74,032, respectively. The School District received \$25,082,472 in bond proceeds. The bonds were issued for a 28 year period with final maturity at December 31, 2028. The debt proceeds were used to construct a new high school building with a multi-purpose area for school and community use, renovating and improving existing school buildings and facilities, and acquiring land.

On June 1, 2005, \$4,950,000 of the serial bonds and \$12,150,000 of the term bonds were advance refunded.

The capital appreciation bonds were issued for \$74,032. The fiscal year 2011 accretion amount is \$210,562. The capital appreciation bonds will mature in fiscal years 2014 through 2018 as follows:

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

2004 School Improvement Bonds

On May 17, 2004, the School District issued \$29,000,000 in general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$22,530,000, \$6,400,000, and \$70,000, respectively. The bonds were issued for a 24 year period with final maturity at December 31, 2028. The debt proceeds were used to construct two new elementary schools, renovate existing school buildings, purchase equipment, acquire land and repay energy conservation notes.

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

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

The capital appreciation bonds were issued for \$70,000. The maturity amount of the bonds is \$2,875,000. The fiscal year 2011 accretion amount is \$347,844.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

The capital appreciation bonds will mature in fiscal years 2012 through 2016 as follows:

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

2005 School Construction Current Refunding Bonds

On June 1, 2005, the School District issued \$11,000,000 in voted general obligation bonds. The bond issue included serial and term bonds, in the amounts of \$7,830,000 and \$3,170,000, respectively. The bonds refunded \$11,000,000 of bond anticipation notes. The bonds were issued for a 27 year period with final maturity at December 1, 2032.

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

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

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

2005 School Bus Bonds

On June 1, 2005, the School District issued \$1,000,000 in general obligation serial bonds. The bonds were issued for a 10 year period with final maturity at December 1, 2015. The debt proceeds were used to purchase new school buses.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2005 School Improvement Advance Refunding Bonds

On June 1, 2005, the School District issued \$17,099,994 of general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$14,815,000, \$2,110,000, and \$174,994, respectively. The bonds refunded \$17,100,000 of outstanding 2000 School Improvement Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2028.

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

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

The capital appreciation bonds, issued at \$174,994, are not subject to prior redemption. The fiscal year 2011 accretion amount is \$58,815. The capital appreciation bonds will mature in fiscal years 2017 through 2019 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2017	\$ 85,000
2018	85,000
2019	1,085,000

2006 Advance Refunding Bonds

On November 1, 2006, the School District issued \$9,184,993 of general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$3,805,000, \$5,350,000, and \$29,993, respectively. The bonds refunded \$9,185,000 of outstanding 2004 School Improvement Bonds. The bonds were issued for an 18 year period with final maturity at December 1, 2024.

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

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

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

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

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

The capital appreciation bonds, issued at \$29,993, are not subject to prior redemption. The fiscal year 2010 accretion amount is \$51,883. The capital appreciation bonds will mature in fiscal years 2016 and 2017 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2016	\$ 105,000
2017	1,165,000

2007 Advanced Refunding Bonds

On October 11, 2007, the School District issued \$9,379,998 in general obligation bonds for the purpose of refunding \$9,380,000 of the 2004 School Improvement Bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$7,645,000, \$1,685,000, and \$49,998, respectively. The bonds were issued for a 22 year period, with final maturity in December 2029.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

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

Fiscal Year	Principal Amount to be Redeemed
2014	\$ 70,000
2015	70,000
2016	75,000
2017	75,000
2018	80,000

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

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

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

The capital appreciation bonds, issued at \$49,998, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2020 in the amount of \$1,075,000. The fiscal year 2010 accretion amount is \$27,862.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2011 Certificates of Participation

On September 1, 2010, the School District entered into a ground lease agreement with Licking Heights Alumni Association, Inc. (Association) whereas the District leases a parcel of land to the Association, and subsequently constructs school facilities on the land, and the Association, in turn, subleases the land, and leases the constructed school facilities to the District.

On September 1, 2010, the School District issued \$2,210,000 in Tax-Exempt Bond certificates of participation, Series 2010A, for the purpose of school facilities construction in the Ohio School Facilities Commission program. The maturity date for the serial bonds is December 1, 2017 with interest costs increasing each year from 2.0 to 2.75 percent. The proceeds of the bonds issued were reported in the capital project/building fund.

On September 1, 2010, the School District issued \$4,000,000 in Federal Taxable Qualified School Construction Bond certificates of participation, Series 2010B, for the purpose of school facilities construction in the Ohio School Facilities Commission program. The maturity date for the term bond is September 1, 2027 with interest costs of 5.50 percent. The proceeds of the bonds issued were reported in the capital project/building fund.

On September 1, 2010, the School District issued \$4,020,000 in Federal Taxable Build America Bond certificates of participation, Series 2010C, for the purpose of school facilities construction in the Ohio School Facilities Commission program. The maturity date for the term bonds is December 1, 2035 with interest costs from 6.0 to 6.5 percent. The proceeds of the bonds issued were reported in the capital project/building fund.

The Certificates of Participation evidence a proportionate interest in the base rent to be paid by the School District under the ground lease agreement. Base rent payments will be recorded as expenditures in the debt service fund.

The following is a summary of future base rent payments for the certificates of participation:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 519,845	\$ 519,845
2013	350,000	516,345	866,345
2014	355,000	509,295	864,295
2015	365,000	501,639	866,639
2016	370,000	493,139	863,139
2017-2021	770,000	2,363,438	3,133,438
2022-2026	-	2,342,600	2,342,600
2027-2031	5,360,000	1,445,300	6,805,300
2032-2036	2,660,000	425,630	3,085,630
Total	<u>\$ 10,230,000</u>	<u>\$ 9,117,231</u>	<u>\$ 19,347,231</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School District’s outstanding debt at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal**	Interest
2012	\$ 745,000	\$ 2,439,359	\$ -	\$ 546,715	\$ 272,685	\$ 62,315
2013	1,250,000	2,409,584	-	546,715	240,878	194,122
2014	985,000	2,368,820	-	546,715	451,048	548,952
2015	945,000	2,398,359	70,000	543,915	407,419	777,581
2016	875,000	2,302,224	70,000	541,115	373,914	1,176,086
2017-2021	10,715,000	10,752,702	480,000	2,650,745	1,029,734	3,885,266
2022-2026	15,940,000	6,603,433	6,415,000	2,088,400	-	-
2027-2031	17,305,000	2,138,862	3,920,000	877,263	-	-
2032-2036	2,660,000	426,630	1,360,000	68,750	-	-
Total	\$ 51,420,000	\$ 31,839,973	\$ 12,315,000	\$ 8,410,333	\$ 2,775,678	\$ 6,644,322

**Principal includes accreted interest to date on Capital Appreciaition Bonds

All general obligation bonds will be retired from the Debt Service Fund with property tax revenues. Capital leases will be paid from the General Fund. Compensated absences will be paid from the General Fund and the Food Service Funds.

The School District’s overall legal debt margin was \$4,702,938 with an unvoted debt margin of \$522,549 at June 30, 2010. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district’s portion of Ohio School Facilities construction project costs. The School District submitted the issuance of the School Construction Bonds to the electors prior to the adoption of H.B. 530. In addition, H.B. 530 now excludes tangible personal property used in business, telephone, or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 – INTERFUND ACTIVITY

During the fiscal year, the School District had no transfers between funds.

At fiscal year-end, interfund balances consisted of the following:

	Beginning Balance	Advance In	Advance Out	Ending Balance
General Fund	\$ (69,395)	\$ 69,395	\$ (182,146)	\$ (182,146)
Other Local Grants	\$ 37,779	\$ 1,717	\$ (37,779)	\$ 1,717
Race to the Top	\$ -	\$ 5,119	\$ -	\$ 5,119
Title IV-B IDEA Special Education	22,329	148,878	(22,329)	148,878
Limited English Proficiency	7,517	9,879	(7,517)	9,879
Title I	48	16,553	(48)	16,553
Drug Free Schools	1,722	-	(1,722)	-
	\$ 69,395	\$ 182,146	\$ (69,395)	\$ 182,146

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use those restricted monies to reimburse the General Fund for the initial advance.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association - The School District is a participant in the Licking Area Computer Association (LACA), which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendent from all participating districts. The School District paid \$175,120 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, Ohio 43055.

B. Metropolitan Educational Council - The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each fiscal year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District paid \$1,029 to MEC for membership during fiscal year 2011. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (continued)

C. School Study Council of Ohio - The School Study Council of Ohio (the “Council”) is a jointly governed organization operated by a Board of Trustees (the “Board”) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and participate in Council discussions, but are not entitled to vote. The Board is annually elected from within the Council’s active membership. The Board consisted of 14 members. In fiscal year 2011, Licking Heights Local School District obtained active membership privileges and paid a membership fee of \$525. Financial information may be obtained from the School Study Council of Ohio, at 2080 Citygate Drive, Columbus, OH 43219.

D. State Support Team -The State Support Team Region 11 (SSTR11) is a new agency that combines regional services provided by the former Central Ohio Special Education Regional Resource Center (COSERRC) and Central Ohio Regional School Improvement Team (CORSIT).

As one of Ohio's 16 State Support Team’s, SSTR11 will provide services and assistance to school districts, educational service centers, community schools, early childhood centers, and families in four areas:

- School Improvement, designed to improve educational outcomes for all students, including students with disabilities and at risk learners;
- Special Education Compliance with federal and state mandates for serving students with disabilities and students at risk for school failure;
- Literacy services that include coaching on high-quality literacy planning, instruction, and assessment; and
- Early Learning and School Readiness, focused on compliance and high-quality instruction through technical assistance and professional development.

Financial information may be obtained from the State Support Team- Region 11, at 2080 Citygate Drive, Columbus, OH 43219.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 – SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside cash balance as of June 30, 2010	\$ (674,978)	\$ -
Current fiscal year set-aside requirement	505,353	505,343
Current fiscal year offsets	-	(1,044,242)
Qualifying Disbursements	(157,858)	-
Set-aside Reserve Balance as of June 30, 2011	\$ (327,483)	\$ (538,899)
 Required Set-aside Balances Carried Forward to FY 2012	 \$ -	 \$ -

The School District had offsets and qualifying disbursements during the fiscal year that reduced the setaside amount below zero for textbooks and instructional materials.

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

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This balance is therefore not being presented as being carried forward to the future fiscal year.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

The School District is not a party to any legal proceedings.

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the District has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and GASB Statement No. 59, “Financial Statements Omnibus”.

GASB Statement No. 54 addresses accounting and financial reporting standards for new categories for reporting fund balance and revises the definitions for governmental fund types. The implementation of GASB Statement No. 54 did have a significant effect on the financial statements of the District.

GASB Statement No. 59 improves the quality of accounting financial reporting by providing updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 20 – NEW PRONOUNCEMENTS

GASB Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans” addresses the provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this statement is effective for financial statements for periods beginning after June 15, 2011.

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34” improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement is effective for financial statements for periods beginning after June 15, 2012.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement is effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 64 “Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53” clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement is effective for financial statements for periods beginning after June 15, 2011.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 21 – FUND RECLASSIFICATION

Due to the implementation of GASB 54, the District’s Public School Support Fund was reclassified as part of the General Fund. The funds were classified as Other Governmental Funds in the prior year.

The effect of this reclassification is presented below:

	General Fund	Building Fund	Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Fund Balances, June 30, 2010	\$ 3,585,821	\$ -	\$ 2,560,712
Building Fund Reclassification	-	2,024,280	(2,024,280)
Public Support Fund Reclassification	80,191	-	(80,191)
	<u> </u>	<u> </u>	<u> </u>
Fund Balances, July 1, 2010	<u>\$ 3,666,012</u>	<u>\$ 2,024,280</u>	<u>\$ 456,241</u>

NOTE 22 – SUBSEQUENT EVENTS

On December 8, 2011, the School District issued \$8,871,562 of refunding bonds for the purpose of refunding existing debt. The 2011 issue consists of \$7,395,000 in serial bonds with interest rates varying from 2.00 percent to 2.25 percent and maturing in fiscal year 2022, and capital appreciation bonds in the amount of \$425,000 maturing in fiscal year 2018.

In February 2012, the School District will issue \$10,072,573 of advance refunding bonds for the purpose of refunding existing debt. The 2012 issue will consist of \$8,170,000 in serial bonds with interest rates varying from 2.00 percent to 3.30 percent and maturing in fiscal year 2033, and capital appreciation bonds in the amount of \$395,000 maturing in fiscal year 2019.

THIS PAGE LEFT BLANK INTENTIONALLY

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Grant Award Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2011	10.555	\$ 53,950	\$ 53,950
Cash Assistance				
School Breakfast Program	2011	10.553	129,209	129,209
National School Lunch Program	2011	10.555	502,168	502,168
Total Nutrition Cluster			<u>685,327</u>	<u>685,327</u>
Team Nutrition Grants Program	2011	10.574	7,250	1,911
Total U.S. Department of Agriculture			<u>692,577</u>	<u>687,238</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Program:				
Title I Grants to Local Educational Agencies Program	2010	84.010	11,522	11,451
			(23)	-
	2011		134,031	146,331
ARRA - Title I Grants to Local Educational Agencies Program	2010	84.389	7,919	8,786
	2011		32,762	36,522
Total Title I Grants to Local Educational Agencies Program			<u>186,211</u>	<u>203,090</u>
Special Education_Grants to States Program:				
Special Education_Grants to States Program	2010	84.027	55,559	32,913
			(317)	-
	2011		268,412	389,762
ARRA - Special Education_Grants to States Program	2010	84.391	15,466	36,347
	2011		202,807	220,129
Total Special Education_Grants to States Program			<u>541,927</u>	<u>679,151</u>
Safe and Drug-Free Schools and Communities				
State Grants Program	2011	84.186	1,722	516
Education Technology State Grants Program				
	2011	84.318	532	532
English Language Acquisition Grants Program				
	2010	84.365	12,126	4,535
			(74)	-
	2011		44,722	52,761
Total English Language Acquisition Grants Program			<u>56,774</u>	<u>57,296</u>
Improving Teacher Quality State Grants Program				
	2010	84.367	46,536	45,680
ARRA - Fiscal Stabilization Program				
	2010	84.394	-	22,222
	2011		631,603	628,969
Total ARRA - Fiscal Stabilization Program			<u>631,603</u>	<u>651,191</u>
ARRA - Race to the Top Program				
	2011	84.395	923	5,072
Total U.S. Department of Education			<u>1,466,228</u>	<u>1,642,528</u>
Totals			<u>\$ 2,158,805</u>	<u>\$ 2,329,766</u>

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Licking Heights Local School District's (the District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C - FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred</u>
Title I Grants to Local Educational Agencies Program	84.010	\$23
Special Education - Grants to States Program	84.027	317
English Language Acquisition Grants Program	84.365	74



Dave Yost • Auditor of State

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

Licking Heights Local School District
Licking County
6539 Summit Road SW
Pataskala, Ohio 43062

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2012, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

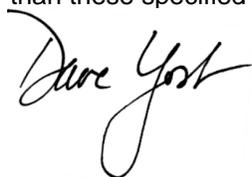
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

January 20, 2012



Dave Yost • Auditor of State

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

Licking Heights Local School District
Licking County
6539 Summit Road SW
Pataskala, Ohio 43062

To the Board of Education:

Compliance

We have audited the compliance of Licking Heights Local School District, Licking County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the Licking Heights Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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, the Board of Education, others within the entity, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 20, 2012

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States Program Cluster (CFDA #84.027 & #84.391); Title 1 Program (CFDA #84.010 & #84.389); and Fiscal Stabilization Program (CFDA #84.394)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

This page intentionally left blank.



Dave Yost • Auditor of State

LICKING HEIGHTS 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 7, 2012