



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2011**



**Dave Yost • Auditor of State**



**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Licking Valley Local School District  
Licking County  
1379 Licking Valley Road NE  
Newark, Ohio 43055

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 Valley 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 Valley 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 22, 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 25, 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 relates 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 25, 2012

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

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

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by approximately \$32 million (net assets). Of this amount, approximately \$5.4 million (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net assets decreased by \$309,524 during the fiscal year.
- General revenues accounted for approximately \$14.9 million, or 75% of all revenues. Program specific revenues in the form of operating grants and contributions and charges for services and sales accounted for approximately \$4.9 million or 25% of total revenues.
- The District's major funds included the General Fund and the Bond Retirement Fund. The General Fund had approximately \$16.4 million in revenues and other financing sources and approximately \$16.1 million in expenditures and other financing uses. The General Fund's fund balance increased \$283,358 in comparison with the prior fiscal year. The Bond Retirement Fund had approximately \$1 million in revenues and approximately \$1 million in expenditures. The Bond Retirement Fund's balance decreased \$63,157 from the prior fiscal year.

**Using the Basic Financial Statements**

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

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**Reporting the District as a Whole**

Statement of Net Assets and Statement of Activities

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

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

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

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

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

Fund Financial Statements

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**The District as a Whole**

The following table provides a summary of the District's net assets for fiscal year 2011 compared to fiscal year 2010.

<b>District Net Assets Governmental Activities</b>		
	2011	2010
Current and Other Assets	\$ 14,372,070	\$ 13,456,674
Capital Assets, Net	38,622,940	40,060,498
Total Assets	52,995,010	53,517,172
Current Liabilities	6,318,398	5,826,719
Long-Term Liabilities	14,686,587	15,390,904
Total Liabilities	21,004,985	21,217,623
Net Assets:		
Invested in Capital Assets, net of related debt	25,896,551	26,736,835
Restricted	680,649	556,682
Unrestricted	5,412,825	5,006,032
Total Net Assets	\$ 31,990,025	\$ 32,299,549

The District's Current and Other Assets increased primarily as a result of an increase in Cash and Cash Equivalents. Capital Assets decreased approximately \$1.4 million during the fiscal year. This decrease represents the amount by which current year depreciation and disposals exceeded current year additions.

The District's long-term liabilities decreased \$704,317 during the fiscal year. This was primarily the result of the District's general obligation bond payments which totaled \$770,000 during the year.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

The following table reflects the changes in net assets for fiscal year 2011 compared to fiscal year 2010.

<b>Change in Net Assets Governmental Activities</b>		
	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>		
Program Revenues		
Charges for Services and Sales	\$ 1,685,048	\$ 1,428,082
Operating Grants and Contributions	3,168,314	3,200,540
Total Program Revenues	4,853,362	4,628,622
General Revenues		
Property Taxes	4,170,094	5,137,299
Income Taxes	1,888,109	1,802,433
Grants and Entitlements	8,612,352	9,122,631
Interest	12,533	25,242
Other Revenue	225,584	289,235
Sale of Capital Assets	-	(121,924)
Total General Revenue	14,908,672	16,254,916
Total Revenues	19,762,034	20,883,538
<b>Expenses:</b>		
Program Expenses		
Instruction	10,660,418	10,472,749
Support Services	7,278,500	7,165,537
Non-Instructional	999,060	1,013,645
Extra Curricular Activities	544,124	517,683
Interest and Fiscal Charges	589,456	616,001
Total Expenses	20,071,558	19,785,615
Changes in Net Assets	(309,524)	1,097,923
Net Assets at Beginning of Year	32,299,549	31,201,626
Net Assets at End of Year	\$ 31,990,025	\$ 32,299,549

Property Taxes decreased significantly during the fiscal year as a result of fluctuations in amounts available for advance at fiscal year-end over the past three fiscal years.

The District is dependent on property and income taxes and is hampered by a lack of revenue growth. The District must periodically return to the voters to maintain a constant level of service. Property taxes made up approximately 21 percent of the District's revenues in fiscal year 2011. Income taxes made up approximately 10 percent of revenues for governmental activities for the District in fiscal year 2011.

Instruction comprises approximately 53 percent of governmental program expenses, and support services make up approximately 36 percent of the program expenses of the District.

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

The following table indicates the total cost of services and the net cost of services for governmental activities. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2011 to 2010 follows:

	<u>Fiscal Year 2011</u>		<u>Fiscal Year 2010</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program Expenses				
Instruction	\$ 10,660,418	\$ 8,302,662	\$ 10,457,536	\$ 8,232,619
Support Services:				
Pupil	474,703	423,854	590,746	500,491
Instructional Staff	855,610	800,367	889,026	805,759
Board of Education	38,904	38,904	30,201	30,201
Administration	1,935,660	1,737,799	1,962,773	1,849,835
Fiscal Services	432,393	432,393	433,126	433,126
Business Operations	218,296	218,296	64,765	64,765
Maintenance	1,737,225	1,691,601	1,609,250	1,557,712
Pupil Transportation	1,395,764	517,280	1,399,628	606,367
Central	189,945	184,393	186,022	163,528
Noninstructional Services	999,060	(14,715)	1,028,858	(4,749)
Extracurricular Activities	544,124	295,906	517,683	301,338
Interest and Fiscal Charges	589,456	589,456	616,001	616,001
Total Expenses	<u>\$ 20,071,558</u>	<u>\$ 15,218,196</u>	<u>\$ 19,785,615</u>	<u>\$ 15,156,993</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Program revenues offset only 24% of instruction activities. Revenues from charges for services and sales along with operating grants and contributions fully cover the costs associated with operation of non-instructional services; 45% of these costs are covered by charges for services and sales revenues. For all governmental activities, support from general revenues is 74 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**Financial Analysis of the District's Funds**

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

*Governmental Funds*

The focus of the 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 District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$7.4 million, an increase of \$449,873 in comparison with the prior year. Of this amount, approximately \$5.5 million constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of fund balance not available for new spending because it is; (1) not in spendable form (\$274,670); (2) restricted for specific purposes (\$1,362,222); or (3) assigned to specific purposes (\$266,314).

The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)
General Fund	\$ 5,924,245	\$ 5,640,887	\$ 283,358
Bond Retirement Fund	838,919	902,076	(63,157)
Other Governmental Funds	623,034	393,362	229,672
<b>Total</b>	<b>\$ 7,386,198</b>	<b>\$ 6,936,325</b>	<b>\$ 449,873</b>

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$5.5 million, while total fund balance was approximately \$5.9 million. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 34% of total general fund expenditures and total fund balance represents 37% of that same amount.

The District's Bond Retirement Fund fund balance decreased by \$63,157 during the current fiscal year. This represents the amount by which debt service payments exceeded property taxes and related revenues.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**Budgetary Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2011, the District amended its General Fund budget as needed.

Final estimated receipts and other financing sources were approximately \$16.1 million, while final actual receipts and other financing sources were also approximately \$16.1 million for an insignificant difference of \$13,520.

Final expenditures and other financing uses were budgeted at approximately \$16.1 million while final actual expenditures and other financing uses were approximately \$15.6 million. The \$431,920 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

At fiscal year-end, the District's capital asset (net of accumulated depreciation) was approximately \$38.6 million, an approximately \$1.4 decrease in comparison with the prior fiscal year. This decrease represents the amount by which current year depreciation (\$1,713,631) and disposals (\$171,240) exceeded current year additions (\$447,313). For further information regarding the District's capital assets, see Note 8 to the basic financial statements.

**Debt**

At June 30, 2011, the District had approximately \$13 million in general obligation bonds outstanding, a decrease of \$636,677 during the fiscal year. This decrease represents the amount by which current year debt service (\$740,000) exceeded current year accretion on the District's capital appreciation bonds (\$103,323).

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**Economic Factors**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Over the past several years, the District has remained in a good financial position. In 1988, the District passed a 7.5 mil-continuing levy. This levy provides a continuous source of funds for the financial operations and stability of the District.

The District also passed a 1.0% Continuous Income Tax levy for operating in 1993 and returned 5 mills of the 1988 levy back to the taxpayers. This generates approximately \$2,125,000 additional revenue to be used for operational expenses of the District. The District has operated for 18 years without asking the taxpayers for more operational dollars.

**Contacting the District's Financial Management**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011

	Governmental Activities
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 8,159,298
Property Taxes Receivable	4,955,454
Income Taxes Receivable	763,313
Revenue in Lieu of Taxes Receivable	42,056
Intergovernmental Receivable	45,465
Accounts Receivable	675
Materials and Supplies Inventory	8,757
Prepaid Items	274,670
Deferred Charges	113,688
Restricted Cash and Cash Equivalents	8,694
Non-Depreciable Capital Assets	316,500
Depreciable Capital Assets, Net	38,306,440
Total Assets	52,995,010
 <b>Liabilities:</b>	
Accounts Payable	156,371
Accrued Wages and Benefits	1,382,584
Intergovernmental Payable	429,553
Unearned Revenue	4,349,890
Long-Term Liabilities:	
Due within One Year	1,134,862
Due in More Than One Year	13,551,725
Total Liabilities	21,004,985
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	25,896,551
Restricted for:	
Debt Service	144,020
Food Services	265,433
Classroom Facilities Maintenance	200,058
Extracurricular Activities	52,855
State and Federal Grants	2,236
Other Purposes	16,047
Unrestricted	5,412,825
Total Net Assets	\$ 31,990,025

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 8,430,432	\$ 665,389	\$ 789,965	\$ (6,975,078)
Special	1,884,853	145,108	662,712	(1,077,033)
Vocational	309,936	25,021	66,403	(218,512)
Other	35,197	3,158	-	(32,039)
Support Services				
Pupils	474,703	-	50,849	(423,854)
Instructional Staff	855,610	-	55,243	(800,367)
Board of Education	38,904	-	-	(38,904)
Administration	1,935,660	152,326	45,535	(1,737,799)
Fiscal	432,393	-	-	(432,393)
Business	218,296	-	-	(218,296)
Operation and Maintenance of Plant	1,737,225	-	45,624	(1,691,601)
Pupil Transportation	1,395,764	-	878,484	(517,280)
Central	189,945	-	5,552	(184,393)
Non-instructional Services	999,060	445,828	567,947	14,715
Extra Curricular Activities	544,124	248,218	-	(295,906)
Interest and Fiscal Charges	589,456	-	-	(589,456)
<b>Total Governmental Activities</b>	<b>\$ 20,071,558</b>	<b>\$ 1,685,048</b>	<b>\$ 3,168,314</b>	<b>\$ (15,218,196)</b>
General Revenues:				
Property Taxes Levied for:				
				\$ 3,336,173
				833,921
				1,888,109
				41,302
				8,612,352
				12,533
				184,282
				14,908,672
				(309,524)
				32,299,549
				\$ 31,990,025

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2011

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 6,656,264	\$ 785,439	\$ 717,595	\$ 8,159,298
Property Taxes Receivable	3,960,130	995,324	-	4,955,454
Income Taxes Receivable	763,313	-	-	763,313
Intergovernmental Receivable	-	-	45,465	45,465
Accounts Receivable	675	-	-	675
Material and Supplies Inventory	-	-	8,757	8,757
Prepaid Items	261,344	-	13,326	274,670
Revenue in Lieu of Taxes Receivable	42,056	-	-	42,056
Restricted Assets:				
Cash and Cash Equivalents	8,694	-	-	8,694
<b>Total Assets</b>	<b><u>\$ 11,692,476</u></b>	<b><u>\$ 1,780,763</u></b>	<b><u>\$ 785,143</u></b>	<b><u>\$ 14,258,382</u></b>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts Payable	\$ 128,567	\$ -	\$ 27,804	\$ 156,371
Accrued Wages and Benefits	1,294,679	-	87,905	1,382,584
Intergovernmental Payable	383,153	-	46,400	429,553
Compensated Absences Payable	23,700	-	-	23,700
Deferred Revenue	3,938,132	941,844	-	4,879,976
<b>Total Liabilities</b>	<b><u>5,768,231</u></b>	<b><u>941,844</u></b>	<b><u>162,109</u></b>	<b><u>6,872,184</u></b>
<b>Fund Balances:</b>				
Unspendable:				
Prepaid Items	261,344	-	13,326	274,670
Restricted for:				
Debt Service	-	838,919	-	838,919
Food Services	-	-	264,193	264,193
Classroom Facilities Maintenance	-	-	192,702	192,702
Extracurricular Activities	-	-	48,125	48,125
State and Federal Grants	-	-	2,236	2,236
Other Purposes	8,694	-	7,353	16,047
Assigned to:				
Public School Support	33,013	-	-	33,013
Encumbrances	132,578	-	-	132,578
Permanent Improvements	-	-	100,723	100,723
Unassigned:	5,488,616	-	(5,624)	5,482,992
<b>Total Fund Balances</b>	<b><u>5,924,245</u></b>	<b><u>838,919</u></b>	<b><u>623,034</u></b>	<b><u>7,386,198</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 11,692,476</u></b>	<b><u>\$ 1,780,763</u></b>	<b><u>\$ 785,143</u></b>	<b><u>\$ 14,258,382</u></b>

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

<b>Total Governmental Fund Balances</b>	<b>\$ 7,386,198</b>
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*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.	38,622,940
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Property Taxes Receivable	388,935
Income Taxes Receivable	141,151

Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial	113,688
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Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable	(12,444,989)
Bond Premium	(334,615)
Deep Discount Debt Accretion	(553,446)
Compensated Absence Payable	(894,918)
Capital Leases Payable	(434,919)
	<u>(14,662,887)</u>

<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 31,990,025</u></u></b>
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See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 3,332,277	\$ 834,890	\$ -	\$ 4,167,167
Revenue in Lieu of Taxes	41,302	-	-	41,302
Income Taxes	1,870,661	-	-	1,870,661
Intergovernmental	9,413,814	143,425	2,223,427	11,780,666
Interest	11,969	-	564	12,533
Tuition and Fees	825,834	-	-	825,834
Extracurricular Activities	52,872	-	241,133	294,005
Customer Sales and Services	-	-	458,670	458,670
Donations and Contributions	50,833	-	6,955	57,788
All Other Revenue	117,889	-	15,762	133,651
<b>Total Revenues</b>	<b>15,717,451</b>	<b>978,315</b>	<b>2,946,511</b>	<b>19,642,277</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	6,288,309	-	659,717	6,948,026
Special	1,212,548	-	679,031	1,891,579
Vocational	288,997	-	-	288,997
Other	35,197	-	-	35,197
Support services:				
Pupils	451,292	-	51,929	503,221
Instructional Staff	786,219	-	57,563	843,782
Board of Education	38,904	-	-	38,904
Administration	1,886,893	-	46,609	1,933,502
Fiscal	433,310	-	-	433,310
Business	65,309	-	-	65,309
Operation and Maintenance of Plant	1,679,999	-	114,058	1,794,057
Pupil Transportation	1,310,066	-	-	1,310,066
Central	152,335	-	5,782	158,117
Non-instructional Services	600	-	988,885	989,485
Extracurricular Activities	252,031	-	248,232	500,263
Capital Outlay	542,359	-	53,562	595,921
Debt service:				
Principal	443,104	595,000	-	1,038,104
Interest and Fiscal Charges	91,442	446,472	-	537,914
<b>Total Expenditures</b>	<b>15,958,914</b>	<b>1,041,472</b>	<b>2,905,368</b>	<b>19,905,754</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(241,463)	(63,157)	41,143	(263,477)
<b>Other financing sources (uses):</b>				
Sale of Capital Assets	151,281	-	-	151,281
Inception of Capital Lease	442,728	-	-	442,728
Insurance Proceeds	119,341	-	-	119,341
Transfers In	-	-	188,529	188,529
Transfers Out	(188,529)	-	-	(188,529)
<b>Total other financing sources (uses)</b>	<b>524,821</b>	<b>-</b>	<b>188,529</b>	<b>713,350</b>
<b>Net Change in Fund Balances</b>	<b>283,358</b>	<b>(63,157)</b>	<b>229,672</b>	<b>449,873</b>
Fund Balance Beginning of Year, Restated	5,640,887	902,076	393,362	6,936,325
<b>Fund Balance End of Year</b>	<b>\$ 5,924,245</b>	<b>\$ 838,919</b>	<b>\$ 623,034</b>	<b>\$ 7,386,198</b>

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN 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** \$ 449,873

*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.

Capital Outlay	447,313
Depreciation	(1,713,631)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, trade-ins, and donations).

Disposals	(171,240)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	2,927
Income Taxes	17,448

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, leases and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal Repayments	1,038,104
Amortization of Bond Issuance Costs	(7,841)
Amortization of Bond Premium	59,622
Accretion of Capital Appreciation Bonds	(103,323)
Inception of Capital Leases	(442,728)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Compensated Absences	113,952
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**Change in Net Assets of Governmental Activities** \$ (309,524)

See accompanying notes to the basic financial statements.

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
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)
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 3,793,701	\$ 3,708,000	3,708,462	\$ 462
Payment in Lieu of Taxes	42,971	42,000	41,302	(698)
Income Taxes	1,910,151	1,867,000	1,866,171	(829)
Intergovernmental	9,640,992	9,423,200	9,413,814	(9,386)
Interest	12,789	12,500	11,969	(531)
Tuition and Fees	845,909	826,800	826,075	(725)
Donations and Contributions	51,156	50,000	50,000	-
Miscellaneous	26,396	25,800	25,371	(429)
<b>Total Revenues</b>	<b>16,324,065</b>	<b>15,955,300</b>	<b>15,943,164</b>	<b>(12,136)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,424,452	6,260,781	6,197,625	63,156
Special	1,144,782	1,279,073	1,252,512	26,561
Vocational	320,117	298,865	295,446	3,419
Other	58,500	42,919	42,444	475
<b>Support Services:</b>				
Pupils	517,132	473,011	460,844	12,167
Instructional Staff	816,000	829,993	812,990	17,003
Board of Education	53,000	49,065	47,194	1,871
Administration	1,777,974	1,810,553	1,770,763	39,790
Fiscal	495,435	464,790	455,432	9,358
Business	338,040	351,501	264,488	87,013
Operation and Maintenance of Plant	1,772,894	1,866,194	1,778,276	87,918
Pupil Transportation	1,313,554	1,386,562	1,338,036	48,526
Central	163,000	158,780	151,459	7,321
Extracurricular Activities	253,000	262,785	246,699	16,086
Capital Outlay	99,600	120,550	109,344	11,206
<b>Debt Service:</b>				
Principal	145,000	145,000	145,000	-
Interest and Fiscal Charges	71,813	71,813	71,813	-
<b>Total Expenditures</b>	<b>15,764,293</b>	<b>15,872,235</b>	<b>15,440,365</b>	<b>431,870</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>559,772</b>	<b>83,065</b>	<b>502,799</b>	<b>419,734</b>
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	65,786	64,300	64,275	(25)
Insurance Proceeds	123,490	120,700	119,341	(1,359)
Transfers Out	(119,109)	(188,579)	(188,529)	50
<b>Total Other Financing Sources (Uses)</b>	<b>70,167</b>	<b>(3,579)</b>	<b>(4,913)</b>	<b>(1,334)</b>
<b>Net Change in Fund Balance</b>	<b>629,939</b>	<b>79,486</b>	<b>497,886</b>	<b>418,400</b>
Fund Balances at Beginning of Year	5,650,792	5,650,792	5,650,792	-
Prior Year Encumbrances Appropriated	226,980	226,980	226,980	-
<b>Fund Balances at End of Year</b>	<b>\$ 6,507,711</b>	<b>\$ 5,957,258</b>	<b>\$ 6,375,658</b>	<b>\$ 418,400</b>

See accompanying notes to the basic financial statements

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
AS OF JUNE 30, 2011

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 63,026
Total Assets	<u>63,026</u>
<b>Liabilities</b>	
Undistributed Monies	60,816
Accounts Payable	2,210
Total Liabilities	<u>\$ 63,026</u>

See accompanying notes to the basic financial statements.

## LICKING VALLEY LOCAL SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 138 square miles. It is located in Licking County, and includes the Village of Hanover and portions of Mary Ann, Perry, Harrison and Hanover Townships. It is staffed by 82 non-certificated employees and 138 certificated full-time teaching personnel who provide services to 2,080 students and other community members. The District currently operates 3 instructional buildings.

##### Reporting Entity:

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

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

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

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Presentation**

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Fiduciary Funds

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

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

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

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

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

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

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

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

**F. Cash and Investments**

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

During the fiscal year, investments were limited to STAR Ohio and repurchase agreements. Repurchase agreements are reported at cost.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund and Other Governmental Funds during the fiscal year amounted to \$11,969 and \$564, respectively.

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**G. Prepaid Items**

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

**H. Inventory**

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

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

**I. Restricted Assets**

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

**J. Capital Assets**

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**K. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances. The District had no interfund balances at fiscal year-end.

**L. Compensated Absences**

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

Compensated absence leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on the accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after twenty years of service, all employees with 15 years of service and are at least 45 years old, and all employees who have 5 or more years of service and are at least 50 years old.

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**N. Net Assets**

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

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

**O. Fund Balance Reserves**

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:

**Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, committed, or assigned.

**P. Interfund Transactions**

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

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

**Q. Estimates**

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

**R. Extraordinary and Special Items**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**S. Bond Premiums, Bond Discounts and Issuance Costs**

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

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

**3. BUDGETARY BASIS OF ACCOUNTING**

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

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

LICKING VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

**Excess (Deficiency) of Revenues and  
Other Financing Sources Over (Under)  
Expenditures and Other Financing Uses**

	<u>General Fund</u>
GAAP Basis	\$ 283,358
Public Support Fund	(8,850)
Revenue Accruals	378,872
Expenditure Accruals	629,979
Other Financing Sources (Uses)	(529,734)
Encumbrances	<u>(255,739)</u>
Budget Basis	<u>\$ 497,886</u>

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.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

## LICKING VALLEY LOCAL SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

#### 4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

#### Deposits

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**4. DEPOSITS AND INVESTMENTS (Continued)**

At year-end the carrying amount of the District's deposits was negative \$40,290 exclusive of a repurchase agreement, and the bank balance was \$135,529. Federal depository insurance covered the entire bank balance. The negative carrying amount of deposits does not result in an actual overdraft due to the District's repurchase agreement balance and the accessibility of these funds.

Investments

At fiscal year-end, the District had the following investments and maturities:

	<b>Carrying and Fair Value</b>	<b>Investment Maturities (in Years) Less than 1</b>
Repurchase Agreement	\$ 8,189,050	\$ 8,189,050
STAR Ohio	82,258	82,258
Total Investments	\$ 8,271,308	\$ 8,271,308

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

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**4. DEPOSITS AND INVESTMENTS (Continued)**

The following is a reconciliation of deposits and investments to the Statement of Net Assets as of fiscal year-end:

Investments (summarized above)	\$ 8,271,308
Carrying amount of District's deposits	(40,290)
Less: Fiduciary Funds - Cash and Cash Equivalents	<u>(63,026)</u>
Total Governmental Activities - Cash and Cash Equivalents	<u>\$ 8,167,992</u>

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property tax revenue received in calendar 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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.

The District receives property taxes from Licking County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2011. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011, was \$205,205 in the General Fund and \$53,480 in the Bond Retirement Debt Service Fund.

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**5. PROPERTY TAXES (Continued)**

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

	<b>2010 Second- Half Collections</b>		<b>2011 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other				
Real Estate	\$ 186,431,820	93%	\$ 188,843,560	94%
Public Utility	12,217,320	6%	12,644,240	6%
Tangible Personal Property	868,930	0%	-	0%
Total Assessed Value	<u>\$ 199,518,070</u>	<u>100%</u>	<u>\$ 201,487,800</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$ 38.67		\$ 36.12	

**6. INCOME TAX**

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

**7. RECEIVABLES**

Receivables at June 30, 2011, consisted of property and income taxes, revenue in lieu of taxes, intergovernmental, and accounts (rent and student fees). Intergovernmental receivables consist of IDEA-B and Title I totaling \$17,770 and \$27,695, respectively. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

<b>Asset Class</b>	<b>Balance July 1, 2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2011</b>
NonDepreciable Capital Assets:				
Land	\$ 316,500	\$ -	\$ -	\$ 316,500
Total Nondepreciable Capital Assets	<u>\$ 316,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,500</u>
Depreciable Capital Assets:				
Land Improvements	\$ 4,464,507	\$ 43,854	\$ -	\$ 4,508,361
Building and Building Improvements	44,647,291	47,550	-	44,694,841
Furniture, Fixtures and Equipment	1,049,562	355,909	(458,399)	947,072
Vehicles	1,928,728	-	-	1,928,728
Total Depreciable Capital Assets	<u>52,090,088</u>	<u>447,313</u>	<u>(458,399)</u>	<u>52,079,002</u>
Accumulated Depreciation:				
Land Improvements	1,379,725	205,081	-	1,584,806
Building and Building Improvements	8,814,233	1,313,841	-	10,128,074
Furniture, Fixtures and Equipment	620,521	109,848	(287,159)	443,210
Vehicles	1,531,611	84,861	-	1,616,472
Total Accumulated Depreciation	<u>12,346,090</u>	<u>1,713,631</u>	<u>(287,159)</u>	<u>13,772,562</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 39,743,998</u>	<u>\$ (1,266,318)</u>	<u>\$ (171,240)</u>	<u>\$ 38,306,440</u>

Depreciation expense was charged to governmental functions as follows:

Instruction Regular	\$ 1,476,652
Instruction Special	800
Instruction Vocational	20,089
Instructional Staff	18,739
Administration	29,275
Fiscal	3,060
Plant Operation	2,475
Pupil Transportation	85,661
Central	23,045
Noninstructional Services	9,974
Extracurricular Activities	43,861
	<u>\$ 1,713,631</u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**9. RISK MANAGEMENT**

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

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Automobile Liability (per occurrence)	1,000	2,000,000
Errors and Omissions		
Per occurrence	0	1,000,000
Per year	0	1,000,000
General Liability		
Per occurrence	0	2,000,000
Per year	0	4,000,000

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

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

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

Plan Description - The 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](http://www.ohsers.org) under Employer/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$305,553, \$328,759, and \$404,659, respectively. The amount contributed for fiscal year 2011 was 41 percent and 100 percent was contributed for fiscal years 2010 and 2009. The District's unpaid contribution for fiscal year 2011 has been recorded as a liability in the appropriate funds.

**B. State Teachers Retirement System**

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](http://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 VALLEY LOCAL SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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 31<sup>st</sup> 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.

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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**10. DEFINED BENEFIT PENSION PLANS (continued)**

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 District's required contributions for pension obligation to STRS Ohio for the fiscal year ended June 30, 2011, 2010 and 2009 were \$803,647, \$940,405, and \$968,921, respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The District's unpaid contribution for fiscal year 2011 has been recorded as a liability in the appropriate funds.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. At fiscal year-end, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

**A. School Employee 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 VALLEY LOCAL SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

#### 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 District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$19,663, \$19,551, and \$19,767, respectively, 41 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The District's unpaid contribution for fiscal year 2011 has been recorded as a liability in the appropriate funds.

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 District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2011, 2010, and 2009 were \$74,792, \$50,681, \$147,521, respectively, 41 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. The District's unpaid contribution for fiscal year 2011 has been recorded as a liability in the appropriate funds.

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](http://www.ohsers.org) under Employers/Audit Resources.

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System**

Plan Description - The 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](http://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 District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$61,819, \$72,339, \$69,209, respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

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

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

**B. Life Insurance**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**13. LONG-TERM OBLIGATIONS**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Building Construction Bonds	\$ 2,505,000	\$ -	\$ (510,000)	\$ 1,995,000	\$ 530,000
School Facilities Bonds	1,770,000	-	(145,000)	1,625,000	155,000
G.O. Advance Refunding Bonds	8,535,000	-	(85,000)	8,450,000	85,000
Capital Appreciation Bonds	825,112	103,323	-	928,435	-
Serial Bond Premium	394,237	-	(59,622)	334,615	-
<b>Total Bonds</b>	<b><u>14,029,349</u></b>	<b><u>103,323</u></b>	<b><u>(799,622)</u></b>	<b><u>13,333,050</u></b>	<b><u>770,000</u></b>
Capital Leases	290,295	442,728	(298,104)	434,919	151,171
Compensated Absences	1,071,260	159,462	(312,104)	918,618	213,691
<b>Total</b>	<b><u>\$ 15,390,904</u></b>	<b><u>\$ 705,513</u></b>	<b><u>\$ (1,409,830)</u></b>	<b><u>\$ 14,686,587</u></b>	<b><u>\$ 1,134,862</u></b>

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

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

General Obligation Advance Refunding Bonds are dated 9/22/05 and consist of serial and capital appreciation bonds. The serial bonds were issued with varying interest rates of 3.0-4.10%. The District received \$9,334,989 in serial and capital appreciation bond proceeds and have a final maturity date of 12/01/25. The capital appreciation bonds will mature on December 1, 2015 and 2016. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. The maturity amount of these bonds is \$1,475,000. The amount of accumulated accretion included in the above capital appreciation bond is \$553,746.

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

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

The District's voted legal debt margin was \$18,133,902 with an unvoted debt margin of \$201,488 at fiscal year-end.

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**13. LONG-TERM OBLIGATIONS (Continued)**

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

Principal and interest requirements to retire general obligation debt at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 770,000	\$ 486,998	\$ 1,256,998
2013	805,000	453,325	1,258,325
2014	840,000	417,298	1,257,298
2015	875,000	379,111	1,254,111
2016	658,350	607,485	1,265,835
2017-2021	3,550,085	1,493,761	5,043,846
2022-2026	4,490,000	633,750	5,123,750
2027-2029	1,010,000	20,705	1,030,705
Total	<u>\$ 12,998,435</u>	<u>\$ 4,492,433</u>	<u>\$ 17,490,868</u>

**14. CAPITAL LEASES - LESSEE DISCLOSURE**

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

The copiers have been capitalized in the amount of \$335,520. The copy machines had accumulated depreciation of \$33,552 as of June 30, 2011. The capitalized amount of the leases represents the present value of the minimum lease payment at the time of acquisition. A corresponding liability is recorded in the statement of net assets. Principal payments in fiscal year 2011 totaled \$147,015 in the governmental funds.

The original cost of the computers is \$434,578; however, they have not been capitalized as the individual computer cost is less than the District’s capitalization threshold of \$5,000. The capitalized amount of the leases represents the present value of the minimum lease payment at the time of acquisition. A corresponding liability is recorded in the statement of net assets. Principal payments in fiscal year 2011 totaled \$151,089 in the governmental funds.

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**14. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ending June 30,	Principal	Interest
2012	\$ 151,171	\$ 21,559
2013	109,128	14,136
2014	58,318	8,786
2015	61,872	5,232
2016	54,430	1,490
Totals	<u>\$ 434,919</u>	<u>\$ 51,203</u>

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

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

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

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2010	\$ 13,759	\$ (2,987,693)
Current fiscal year set-aside requirement	314,111	314,111
Current Year Offsets	-	(88,529)
Qualifying Disbursements	(320,201)	(231,400)
Set-aside cash balance as of June 30, 2011	<u>\$ 7,669</u>	<u>\$ (2,993,511)</u>
Set-aside balance carried forward to FY 2012	<u>\$ -</u>	<u>\$ (2,987,693)</u>

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 VALLEY LOCAL SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

#### 16. JOINTLY GOVERNED ORGANIZATIONS

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

The Central Ohio Special Education Regional Resource Center (COSERRC) is one of sixteen (16) centers in Ohio, which serves as the organizational structure offering multi-district special educational services. Each SERRC is designed to initiate, expand, and improve the delivery of special education services to children with disabilities ages 3 through 21. The governing board of COSERRC consists of superintendents or a designated representative from each school district. Financial information may be obtained from the Franklin County Education Service Center at 2080 Citygate Drive, Columbus, Ohio, 43219.

The Metropolitan Education Council is composed of over 183 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 39 counties in Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's membership payment to MEC for fiscal year 2011 was \$798. Financial information may be obtained from the Metropolitan Educational Council at 2100 Citygate Drive Columbus, Ohio, 43219.

The School Study Council of Ohio is a non-profit consortium of school districts, educational service centers, colleges of education, and related educational schools and agencies. It is owned and governed by the member organizations with a Board of Trustees representing member organizations. SSCO helps each member organization to achieve its mission through the provision of client centered services including professional development, funding and related resource acquisition, research, and leadership development. The District's membership payment to SSCO for fiscal year 2011 was \$540. Financial information may be obtained from the School Study Council of Ohio, Carmella C. Ross, who serves as Treasurer, 2080 Citygate Drive, Columbus, Ohio 43219.

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**17. INSURANCE PURCHASING POOL**

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

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

**18. CONTINGENCIES**

**A. Grants**

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

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

**B. Litigation**

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**19. INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

Transfers to Other Governmental funds from:	
General Fund	<u>\$188,529</u>
Total Transfers	<u><u>\$188,529</u></u>

Transfers to Other Governmental Funds from the General Fund is the amount to fund building maintenance, as required by the school facilities construction project. There was also a transfer from the General Fund to the Permanent Improvement Fund to provide funding for permanent improvements. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**20. 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.

**21. 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.

**LICKING VALLEY LOCAL SCHOOL DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**21. NEW PRONOUNCEMENTS (Continued)**

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.

**22. Fund Balance Reclassification**

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

The effect of this reclassification is presented below:

	General Fund	Other Governmental Funds
Fund Balances, June 30, 2010	\$ 5,616,724	\$ 417,525
Fund Reclassification	24,163	(24,163)
Fund Balances, July 1, 2010	\$ 5,640,887	\$ 393,362

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**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 117,650	\$ 117,650
Cash Assistance:			
Breakfast Program	10.553	97,985	97,985
National School Lunch Program	10.555	336,578	336,578
Total Child Nutrition Cluster		<u>552,213</u>	<u>552,213</u>
Total U.S. Department of Agriculture		<u><b>552,213</b></u>	<u><b>552,213</b></u>
<b><u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u></b>			
<i>Passed Through State Library of Ohio:</i>			
Library Services and Technology Act	45.310	-	4,129
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	235,908	239,596
ARRA - Title I Grants to Local Educational Agencies	84.389	65,191	73,580
Total Title I Grants Cluster		<u>301,099</u>	<u>313,176</u>
Special Education Grants to States	84.027	370,131	382,824
ARRA - Special Education Grants to States	84.391	104,424	1,127,358
Total Special Education Grants to States Cluster		<u>474,555</u>	<u>1,510,182</u>
Education Technology State Grant	84.318	782	782
Improving Teacher Quality	84.367	67,110	67,110
ARRA - State Fiscal Stabilization Fund	84.394	720,069	720,069
Total U.S. Department of Education		<u>1,563,615</u>	<u>2,611,319</u>
<b>Total</b>		<u><b>\$ 2,115,828</b></u>	<u><b>\$ 3,167,661</b></u>

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

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Licking Valley Local School District (the District's) 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**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.



# 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 Valley Local School District  
Licking County  
1379 Licking Valley Road NE  
Newark, Ohio 43055

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 Valley 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 25, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 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, Board of Education and 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 "D" and "Y".

**Dave Yost**  
Auditor of State

January 25, 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 Valley Local School District  
Licking County  
1379 Licking Valley Road NE  
Newark, Ohio 4355

To the Board of Education:

### Compliance

We have audited the compliance of Licking Valley Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that 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 opine 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 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, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone 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 "D" and "Y".

**Dave Yost**  
Auditor of State

January 25, 2012

**LICKING VALLEY LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 8, 2012