



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio (the District), as of and for the year ended, June 30, 2012, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio, as of June 30, 2012, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during the year ended June 30, 2012, the District changed its accounting basis from accounting principles generally accepted in the United States of America to the cash accounting basis. The District has revised its financial presentation comparable to the requirements of Governmental Accounting Standard No.34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and governmental activities. The federal awards receipts and expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

March 11, 2013

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (UNAUDITED)

As management of the Licking Heights Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012, within the limitations of the District's cash basis accounting. 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 2012 are as follows:

- At fiscal year-end, the School District's Net Assets totaled \$10.6 million, a \$5.1 million decrease from the prior fiscal year.
- The District's general receipts are primarily property taxes, intergovernmental aid, and proceeds of debt. These receipts represent respectively 34%, 19.4%, and 36.1% of the total cash received for governmental activities during the year.
- At the end of the current fiscal year, Unrestricted fund balance for the general fund was approximately \$225,046, or approximately one percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end.

The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Governmental Funds: The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds were the General Fund, Debt Service Fund, and Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

An analysis of fiscal year 2012 in comparison with fiscal year 2011 follows for the Statement of Net Assets:

	2012	Restated 2011	Change
Cash and Investments	\$ 10,588,921	\$ 15,719,586	-32.64%
Total Assets	<u>10,588,921</u>	<u>15,719,586</u>	-32.64%
Restricted:			
Debt Service	1,365,383	1,794,407	100.00%
Permanent Improvement	972,891	444,934	118.66%
Building Fund	7,766,863	11,785,730	-34.10%
Food Service	177,604	110,420	60.84%
Special Trust	6,799	6,279	8.28%
Other Local Grants	16,649	964	1627.07%
Extracurricular Activities	30,939	36,551	-15.35%
State and Federal Grants	26,747	22,370	19.57%
Unrestricted	225,046	1,517,931	-85.17%
Total Net Assets	<u>\$ 10,588,921</u>	<u>\$ 15,719,586</u>	-32.64%

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

As mentioned previously, net assets of governmental activities decreased \$5,130,665 or 32.6 percent during 2012.

A significant portion of the District's net assets (97.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$225,046) may be used to meet the District's ongoing obligations to citizens and creditors.

An analysis of fiscal year 2012 follows for the Statement of Activities:

Governmental Activities

	<u>2012</u>
Program Revenues	
Charges for Services	\$ 1,205,965
Operating Grants	2,199,742
General Revenues	
Property Taxes	17,790,632
Revenue in Lieu of Taxes	1,908,487
Grants and Entitlements not Restricted to Specific Programs	10,154,674
Proceeds of Debt	18,865,325
Investment Earnings	32,675
Miscellaneous	147,912
Total Revenues	<u>52,305,412</u>
Program Expenses	
Instructional	17,545,698
Support Services	11,722,966
Non-Instructional	1,433,048
Extra Curricular Activities	525,642
Capital Outlay	3,829,830
Principal Retirement	19,317,215
Interest and Fiscal Charges	2,759,599
Bond Issuance Costs	302,079
Total Expenses	<u>57,436,077</u>
Change in Net Assets	<u>(5,130,665)</u>
Net Assets at Beginning of Year (Restated)	<u>15,719,586</u>
Net Assets at End of Year	<u>\$ 10,588,921</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Program receipts represent only 6.5 percent of total receipts and are comprised of charges for services and sales and operating grants and contributions.

General receipts represent 93.5 percent of the District's total receipts, and of this amount, 36.4 percent are local taxes. State and federal grants and entitlements and proceeds of debt make up 20.8 percent and 38.6 percent of the District's general receipts, respectively. Other receipts are insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, support services, and principal retirement, which account for 30.6, 20.4, and 33.6 percent of all governmental disbursements, respectively.

Because for fiscal year 2011, the District prepared its basic financial statements in accordance with generally accepted accounting principles, we will not show a comparison of fiscal year 2012 to fiscal year 2011. In future years, we will present such a schedule on the cash basis of accounting.

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The Net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented below for fiscal year 2012.

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>
Program expenses		
Instructional	\$ 17,545,698	\$ 16,261,880
Support services	11,722,966	11,327,698
Non-Instructional	1,433,048	(3,983)
Extra Curricular Activities	525,642	237,951
Capital Outlay	3,829,830	3,827,931
Principal Retirement	19,317,215	19,317,215
Interest and Fiscal Charges	2,759,599	2,759,599
Bond Issuance Costs	302,079	302,079
Total	<u>\$ 57,436,077</u>	<u>\$ 54,030,370</u>

Because for fiscal year 2011, the District prepared its basic financial statements in accordance with accounting principles generally accepted in the United States, we will not show a comparison of fiscal year 2012 to fiscal year 2011. In future years, we will present such a schedule on the cash basis of accounting.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Financial Analysis of the School District's Funds

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

Governmental Funds

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$10.6 million, a decrease of \$5.1 million in comparison with the prior fiscal year.

Of this amount, approximately \$24,270 is available for spending at the District's discretion. The remainder of fund balance is restricted (\$10.4 million) or assigned (\$200,776).

An analysis of fiscal year 2012 in comparison with fiscal year 2011 follows:

	<u>Fund Balance</u> <u>June 30, 2012</u>	<u>Restated</u> <u>Fund Balance</u> <u>June 30, 2011</u>	<u>Variance</u>
General Fund	\$ 225,046	\$ 1,517,931	\$ (1,292,885)
Debt Service Fund	1,365,383	1,690,029	(324,646)
Building Fund	7,766,863	11,785,730	(4,018,867)
Other Governmental Funds	1,231,629	725,896	505,733
Total Governmental Funds	<u>\$ 10,588,921</u>	<u>\$ 15,719,586</u>	<u>\$ (5,130,665)</u>

Total governmental funds had receipts of \$52.7 million and disbursements of \$57.8 million. The greatest change within governmental funds occurred within the Building Fund. The fund balance of the Building Fund decreased approximately \$4 million primarily due to an increase in capital spending.

General Fund receipts were less than disbursements by \$1,292,885 indicating that the General Fund is in a deficit spending situation.

General Fund Budget Information

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.

Final estimated resources exceeded original estimated resources by \$530,709 while final appropriations exceeded original appropriations by \$475,373. Final revenues and other financing sources exceeded the actual revenues and other financing sources estimate by \$55,235. Final appropriations exceeded actual expenditures and other financing uses by \$57,884, or less than one percent

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Debt

At the end of the fiscal year, the School District had total bonded debt outstanding of \$66.5 million, an increase of \$11,589 in comparison with the prior fiscal year.

Detailed information regarding long-term obligations is included in Note 13 to the basic financial statements.

Contacting the School District's Financial Management

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2012**

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 5,585,221
Investments	5,003,700
Total Assets	10,588,921
Net Assets	
Restricted for:	
Debt Service	1,365,383
Permanent Improvement	972,891
Building Fund	7,766,863
Food Service	177,604
Special Trust	6,799
Other Local Grants	16,649
Extracurricular Activities	30,939
State and Federal Grants	26,747
Unrestricted	225,046
Total Net Assets	\$ 10,588,921

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Disbursements	Program Receipts		Net (Disbursement)
		Charges for Services	Operating Grants and Contributions	Receipt and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 12,225,207	\$ 246,753	\$ 286,290	\$ (11,692,164)
Special	3,457,493	69,737	641,911	(2,745,845)
Vocational	296,406	5,979	-	(290,427)
Other	1,566,592	31,598	1,550	(1,533,444)
Support Services				
Pupils	1,397,354	-	188,126	(1,209,228)
Instructional Staff	1,324,066	-	65,180	(1,258,886)
Board of Education	82,958	-	-	(82,958)
Administration	2,316,785	-	87,770	(2,229,015)
Fiscal	642,794	-	-	(642,794)
Operation and Maintenance of Plant	3,095,686	-	67	(3,095,619)
Pupil Transportation	2,641,569	-	45,125	(2,596,444)
Central	221,754	-	9,000	(212,754)
Non-Instructional Services	1,433,048	573,008	864,023	3,983
Extracurricular Activities	525,642	276,991	10,700	(237,951)
Capital Outlay	3,829,830	1,899	-	(3,827,931)
Principal Retirement	763,538	-	-	(763,538)
Interest and Fiscal Charges	2,759,599	-	-	(2,759,599)
Bond Issuance Costs	302,079	-	-	(302,079)
Payment to Refunded Bond Escrow	18,553,677	-	-	(18,553,677)
Total Governmental Activities	\$ 57,436,077	\$ 1,205,965	\$ 2,199,742	(54,030,370)
General Receipts				
Property Taxes Levied for:				
				14,087,108
				2,814,509
				889,015
				1,908,487
Grants & Entitlements not Restricted				
				10,154,674
to Specific Programs				
				18,865,325
Proceeds of Debt				
				32,675
Investment Earnings				
				147,912
Miscellaneous				
				48,899,705
Total General Revenues				
				48,899,705
Change in Net Assets				
				(5,130,665)
Net Assets - Beginning of Year, Restated				
				15,719,586
Net Assets - End of Year				
				\$ 10,588,921

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 225,046	\$ 1,365,383	\$ 2,763,163	\$ 1,231,629	\$ 5,585,221
Investments	-	-	5,003,700	-	5,003,700
Total Assets	\$ 225,046	\$ 1,365,383	\$ 7,766,863	\$ 1,231,629	\$ 10,588,921
Fund Balances:					
Restricted for:					
Debt Service	-	1,365,383	-	-	1,365,383
Permanent Improvement	-	-	-	972,891	972,891
Building Fund	-	-	7,766,863	-	7,766,863
Food Service	-	-	-	177,604	177,604
Special Trust	-	-	-	6,799	6,799
Other Local Grants	-	-	-	16,649	16,649
Extracurricular Activities	-	-	-	30,939	30,939
State and Federal Grants	-	-	-	26,747	26,747
Assigned for:					
Public School Support	87,683	-	-	-	87,683
Future Appropriations	99,961	-	-	-	99,961
Encumbrances	13,132	-	-	-	13,132
Unassigned:	24,270	-	-	-	24,270
Total Fund Balances	\$ 225,046	\$ 1,365,383	\$ 7,766,863	\$ 1,231,629	\$ 10,588,921

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property Taxes	\$ 14,087,108	\$ 2,814,509	\$ -	\$ 889,015	\$ 17,790,632
Payments in Lieu of Taxes	1,908,487	-	-	-	1,908,487
Intergovernmental	9,644,927	400,811	-	2,258,582	12,304,320
Investment Earnings	5,968	-	26,707	-	32,675
Tuition and Fees	354,067	-	-	-	354,067
Rent	21,420	-	-	-	21,420
Extracurricular Activities	189,754	-	-	73,072	262,826
Contributions and Donations	20,370	-	-	41,426	61,796
Customer Sales and Services	-	-	-	570,008	570,008
Miscellaneous	120,123	-	1,899	3,446	125,468
Total Receipts	26,352,224	3,215,320	28,606	3,835,549	33,431,699
Disbursements:					
Instruction:					
Regular	11,842,012	-	-	383,195	12,225,207
Special	2,878,150	-	-	579,343	3,457,493
Vocational	287,697	-	-	8,709	296,406
Other	1,565,592	-	-	1,000	1,566,592
Support services:					
Pupils	1,239,175	-	3,026	155,153	1,397,354
Instructional Staff	1,048,840	-	134,113	141,113	1,324,066
Board of Education	82,958	-	-	-	82,958
Administration	2,244,385	-	-	72,400	2,316,785
Fiscal	591,697	38,791	-	12,306	642,794
Operation and Maintenance of Plant	2,954,050	-	1,817	139,819	3,095,686
Pupil Transportation	2,441,581	-	-	199,988	2,641,569
Central	212,754	-	-	9,000	221,754
Non-Instructional Services	350	-	-	1,432,698	1,433,048
Extracurricular Activities	439,817	-	-	85,825	525,642
Capital Outlay	-	-	3,807,480	22,350	3,829,830
Debt service:					
Principal Retirement	3,538	760,000	-	-	763,538
Interest and Fiscal Charges	955	2,758,644	-	-	2,759,599
Bond Issuance Costs	-	1,656	300,423	-	302,079
Total Disbursements	27,833,551	3,559,091	4,246,859	3,242,899	38,882,400
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,481,327)	(343,771)	(4,218,253)	592,650	(5,450,701)
Other Financing Sources (Uses):					
Sale of Capital Assets	6,013	-	-	375	6,388
Proceeds from Insurance Recoveries	2,000	-	-	-	2,000
Bond Proceeds	-	16,322,212	-	-	16,322,212
Premium on Bond Proceeds	-	2,242,690	300,423	-	2,543,113
Payment to Refunded Bond Escrow	-	(18,553,677)	-	-	(18,553,677)
Transfers In	-	7,900	-	-	7,900
Transfers Out	-	-	-	(7,900)	(7,900)
Advances In	281,466	-	-	101,037	382,503
Advances Out	(101,037)	-	(101,037)	(180,429)	(382,503)
Total Other Financing Sources (Uses)	188,442	19,125	199,386	(86,917)	320,036
Net Change in Fund Balances	(1,292,885)	(324,646)	(4,018,867)	505,733	(5,130,665)
Fund Balances - Beginning of Year, Restated	1,517,931	1,690,029	11,785,730	725,896	15,719,586
Fund Balances - End of Year	<u>\$ 225,046</u>	<u>\$ 1,365,383</u>	<u>\$ 7,766,863</u>	<u>\$ 1,231,629</u>	<u>\$ 10,588,921</u>

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 13,882,571	\$ 14,087,108	\$ 14,087,108	\$ -
Payments in Lieu of Taxes	1,880,777	1,908,487	1,908,487	-
Intergovernmental	9,504,888	9,644,927	9,644,927	-
Investment Earnings	5,691	5,775	5,968	193
Tuition and Fees	348,925	354,066	354,067	1
Rent	20,863	21,170	21,420	250
Extracurricular Activities	69,969	71,000	71,000	-
Contributions and Donations	11,530	11,700	11,700	-
Miscellaneous	104,859	105,499	106,404	905
Total Revenues	25,830,073	26,209,732	26,211,081	1,349
Expenditures:				
Instruction:				
Regular	11,769,660	11,846,264	11,846,264	-
Special	2,860,831	2,879,451	2,878,150	1,301
Vocational	285,837	287,697	287,697	-
Other	1,555,468	1,565,592	1,565,592	-
Support services:				
Pupils	1,231,441	1,239,456	1,239,457	(1)
Instructional Staff	1,053,662	1,060,520	1,060,520	-
Board of Education	82,422	82,958	82,958	-
Administration	2,229,872	2,244,385	2,244,385	-
Fiscal	588,387	592,217	592,217	-
Operation and Maintenance of Plant	2,934,948	2,954,050	2,954,050	-
Pupil Transportation	2,426,678	2,442,472	2,442,472	-
Central	211,378	212,754	212,754	-
Non-Instructional Services	348	350	350	-
Extracurricular Activities	303,904	305,882	305,882	-
Total Expenditures	27,534,836	27,714,048	27,712,748	1,300
Excess of Revenues Over (Under) Expenditures	(1,704,763)	(1,504,316)	(1,501,667)	2,649
Other Financing Sources (Uses):				
Sale of Capital Assets	5,926	6,013	6,013	-
Proceeds from Insurance Recoveries	1,971	2,000	2,000	-
Transfers In	136,528	138,540	138,540	-
Transfers Out	-	(138,540)	(138,540)	-
Advances In	189,128	338,050	281,466	(56,584)
Advances Out	-	(157,621)	(101,037)	56,584
Total Other Financing Sources (Uses)	333,553	188,442	188,442	-
Net Change in Fund Balance	(1,371,210)	(1,315,874)	(1,313,225)	2,649
Fund Balances at Beginning of Year	1,418,460	1,418,460	1,418,460	-
Prior Year Encumbrances Appropriated	18,996	18,996	18,996	-
Fund Balances at End of Year	\$ 66,246	\$ 121,582	\$ 124,231	\$ 2,649

See accompanying notes to the basic financial statements

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
AGENCY FUND
June 30, 2012

	Student Managed <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 79,115
Total Assets	<u>79,115</u>
Liabilities	
Undistributed Monies	79,115
Total Liabilities	<u>\$ 79,115</u>

See accompanying notes to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1956 and is located just east of the City of Columbus about one-half mile from the Franklin County border. The School District serves an area of approximately 36 square miles. It is located in Licking and Franklin Counties and covers parts of the City of Pataskala, the Jersey Township, and St. Albans and Etna Townships in Licking County and parts of Jefferson Township, the City of Reynoldsburg, City of New Albany and the City of Columbus in Franklin County. It is staffed by 141 classified employees and 232 certificated teaching personnel who provide services to 3,503 students and other community members. The School District currently operates five instructional buildings, one administrative building, and a bus garage.

Reporting Entity

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

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

The School District participates in several organizations which are defined as jointly governed organizations. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, and the School Study Council of Ohio. These organizations are presented in Note 15 to the basic financial statements.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on the modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds.

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

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

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

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

Other Governmental Funds of the School District account for specific revenue sources that are restricted or committed for specified purposes other than debt service or building construction.

Fiduciary Funds — Fiduciary funds are used to account for assets held by the School District in a trustee or agency capacity for others and therefore cannot be used to support the School District's own programs. Fiduciary funds include pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The School District's only fiduciary fund is an agency fund which accounts for student activities.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

Although required by Ohio Administrative Code 117-2-03(B) to prepare its annual financial statements and notes in accordance with GAAP, the School District chooses to prepare its financial statements using the modified cash basis of accounting. The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments

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

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio), federal agency securities, commercial paper, and a money market account.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$5,968. The building fund was also credited in the amount of \$26,707.

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

F. Inventory

The School District reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements. Depreciation has not been reported for any capital assets

H. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the basic financial statements. Interfund activity between governmental funds is eliminated on the statement of net assets- cash basis and the statement of activities- cash basis.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Fund Balance

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

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

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

M. Net Assets

Net assets are recorded in conjunction with assets recorded by the School District. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

A. Change in Basis of Accounting

For fiscal year 2012, the School District ceased to report using accounting principles generally accepted in the United States of America and reported on the modified cash basis as described in Note 2C.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the School District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General Fund	Debt Service Fund	Building Fund	Other Governmental Fund
Fund Balance June 30, 2011	\$ 1,972,707	\$ 2,336,932	\$ 11,686,597	\$ 680,029
Eliminate Receivables	(16,267,162)	(2,935,588)	-	(1,173,637)
Eliminate Materials and supplies inventory	-	-	-	(20,808)
Eliminate Due from Other Funds	(182,146)	-	-	-
Eliminate Payables	3,198,995	-	99,133	326,279
Eliminate Due to Other Funds	-	-	-	182,146
Eliminate Deferred revenue	12,795,537	2,288,685	-	731,887
Adjusted Fund Balances June 30, 2011	<u>\$ 1,517,931</u>	<u>\$ 1,690,029</u>	<u>\$ 11,785,730</u>	<u>\$ 725,896</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY
(continued)

	Governmental Activities	Agency Fund
Net Assets June 30, 2011	\$ 5,933,454	\$ 67,758
Eliminate Receivables	(20,376,387)	-
Eliminate Materials and supplies inventory	(20,808)	-
Eliminate Unamortized issuance costs	(934,434)	-
Eliminate Capital Assets	(57,612,580)	-
Eliminate Payables	3,929,431	-
Eliminate Unearned Revenue	14,995,047	-
Eliminate Long-term Liabilities	69,805,863	-
Adjusted Net Assets June 30, 2011	<u>\$ 15,719,586</u>	<u>\$ 67,758</u>

NOTE 4 – COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and cash basis are as follows:

1. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis).
2. With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the School 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 School 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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

	General Fund
Change in Fund Balance - Cash Basis	\$ (1,292,885)
Public School Support Fund	(7,208)
Encumbrances	(13,132)
Change in Fund Balance- Budgetary Basis	\$ (1,313,225)

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer’s investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

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

At fiscal year-end, the carrying amount of the School District’s deposits was \$6,751,234, and the bank balance was \$7,053,112. Of the School District’s bank balance, \$3,407,868 was exposed to custodial risk because it was uninsured and uncollateralized, while \$3,645,244 was covered by Federal Deposit Insurance. The School District also had \$4,000 in petty cash on hand at fiscal year end. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

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

Investment Type	Fair Value	Percent of Total	Investment Maturities
			Within 1 Year
STAR Ohio	\$ 528,424	14%	\$ 528,424
Money Market Funds	1,384,678	35%	1,384,678
Federal Farm Credit Bank Note	1,999,700	51%	1,999,700
Total	<u>\$ 3,912,802</u>	<u>100%</u>	<u>\$ 3,912,802</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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

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

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

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issuer except for commercial paper. The School District's investments in Federal Farm Credit Bank Note and STAR Ohio each exceeded 5 percent of the School District's total investments.

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date.

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

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 – PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of calendar year 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2010 tangible personal property tax settlement was the last property tax settlement for general personal property taxes.

Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after October 1, 2011, on the value as of December 31, 2011. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Licking and Franklin Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amounts available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2012 taxes were collected are:

	<u>2011 Second Half Collections</u>		<u>2012 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 512,114,610	98.00%	\$ 476,593,710	98.11%
Public Utility Personal	10,434,090	2.00%	9,178,430	1.88%
Total	<u>\$ 522,548,700</u>	<u>100.00%</u>	<u>\$ 485,772,140</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 46.22		\$ 50.89	

NOTE 8 - PAYMENTS IN LIEU OF TAXES

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

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

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NOTE 8 - PAYMENTS IN LIEU OF TAXES (continued)

The School District also receives payments in lieu of taxes from a revenue sharing agreement with the City of New Albany whereas the City of New Albany has declared improvements to certain parcels of real property within the City (American Electric Power Building) which are 75 percent exempt from property taxes. The School District is to receive 50 percent of income tax revenue collected by the City of New Albany on new jobs created by the exempt parcels, not to exceed the amount the School District could have received as real property tax payments derived from the improvements had the exemption not been declared.

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

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

Insurance coverage provided includes the following:

Building and Contents replacement cost (\$1,000 deductible)	\$62,353,866
General Liability (per Occurrence)	\$1,000,000
Annual Aggregate	\$3,000,000
Personal and Advertising Injury Aggregate	\$1,000,000
Automobile Liability (\$1,000 deductible)	\$1,000,000
Uninsured Motorists (\$1,000 deductible)	\$1,000,000
Medical Payments	\$5,000
Educators Legal Liability (Each Wrongful Act)	\$1,000,000
Annual Aggregate	\$3,000,000
Employment Practices Liability (Each Wrongful Act \$5,000 deductible)	\$1,000,000
Annual Aggregate	\$3,000,000
Back Wages Limit (\$10,000 deductible)	\$50,000
Commercial Excess Liability (Each Occurrence)	\$5,000,000
Annual Aggregate	\$5,000,000

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

B. Workers' Compensation

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.7%. The remaining 1.3% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$582,168, \$504,110 and \$499,154, respectively, equal to the required contributions for each year

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,651,494, \$1,607,164, and \$1,495,773, respectively, equal to the required contributions for each year

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012 one member of the Board of Education has elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.00 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The School District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$34,380, \$32,441, and \$29,684, respectively, equal to the required contributions for each year.

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, 2012, the health care allocation is .55%. 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 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2012, 2011, and 2010 were \$25,212, \$124,914, and \$79,485, respectively, equal to the required contributions for each year

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio

Plan Description - The School District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the “Plan”) administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$127,038, \$123,628, and \$115,059, respectively, equal to the required contributions for each year

NOTE 12 – LEASES – LESSEE DISCLOSURE

The School District has entered into capitalized leases for copiers. Each lease meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement No. 13, “Accounting for Leases.” This statement defines a capital lease as one which transfers benefits and risks of ownership to the lessee.

Due to the District reporting on the modified cash basis of accounting, the accompanying copiers and computers are not reflected as assets and liabilities within the accompanying financial statements. Principal and interest payments associated with outstanding lease obligations are paid by the General Fund

The agreements provide for minimum annual rental payments as follows:

Fiscal Year	Principal	Interest	Total
2013	4,023	453	4,476
2014	2,886	97	2,983
Total	\$ 6,909	\$ 550	\$ 7,459

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTE 13 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2012 were as follows:

General Obligation Bonds:	Amounts Outstanding 6/30/11	Additions	Deductions	Amounts Outstanding 6/30/12	Amounts Due Within One Year
2000 School Improvement Bonds- 6.4%	\$ 900,000	\$ -	\$ (5,000)	\$ 895,000	5,000
2001 School Improvement Bonds- 4.55% to 6.0%					
Capital Appreciation Bonds (CABS)	74,032	-	-	74,032	-
Accretion on CABS	906,934	268,890	-	1,175,824	-
2004 School Improvement Bonds- Serial Bonds- 2.75% to 4.75%	7,820,000	-	(7,820,000)	-	-
Capital Appreciation Bonds (CABS)- 4.15% to 4.75%	70,000	-	(15,000)	55,000	15,000
Accretion on CABS	1,009,190	437,163	(320,000)	1,126,353	342,211
2005 School Construction Current Refunding Bonds					
Serial Bonds- 3.5% to 4.0%	6,515,000	-	(5,600,000)	915,000	275,000
Term Bonds- 5.0%	3,170,000	-	(3,170,000)	-	-
2005 School Bus Bonds- 3.5% to 4.0%	485,000	-	(90,000)	395,000	95,000
2005 School Improvement Advance Refunding Bonds					
Serial Bonds- 3.5% to 5.0%	14,470,000	-	(245,000)	14,225,000	370,000
Term Bonds- 5.0%	2,110,000	-	-	2,110,000	-
Capital Appreciation Bonds (CABS)- 4.17% to 4.4%	174,994	-	-	174,994	-
Accretion on CABS	251,387	68,226	-	319,613	-
2006 Advance Refunding Bonds- 4.0%					
Serial Bonds	3,515,000	-	(90,000)	3,425,000	95,000
Term Bonds	5,350,000	-	-	5,350,000	-
Capital Appreciation Bonds (CABS)	29,993	-	-	29,993	-
Accretion on CABS	134,855	75,713	-	210,568	-
2007 Advance Refunding Bonds					
Serial Bonds- 4.0% to 4.3%	7,485,000	-	(50,000)	7,435,000	60,000
Term Bonds- 4.0% to 4.1%	1,685,000	-	-	1,685,000	-
Capital Appreciation Bonds (CABS)- 4.17%	49,998	-	-	49,998	-
Accretion on CABS	74,295	35,913	-	110,208	-

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 – LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds:	Amounts Outstanding 6/30/11	Additions	Deductions	Amounts Outstanding 6/30/12	Amounts Due Within One Year
2010A Certificates of Participation Serial Bonds	2,210,000	-	-	2,210,000	350,000
2010B Certificates of Participation (QSCB) Serial Bonds	4,000,000	-	-	4,000,000	-
2010C Certificates of Participation Serial Bonds	4,020,000	-	-	4,020,000	-
	-			-	
2011 Advance Refunding Bonds Serial Bonds	-	7,395,000	-	7,395,000	205,000
Capital Appreciation Bonds (CABS) Accretion on CABS	-	425,000 86,867	-	425,000 86,867	-
2012 Advance Refunding Bonds Serial Bonds	-	8,175,000	-	8,175,000	260,000
Capital Appreciation Bonds (CABS) Accretion on CABS	-	327,212 121,605	-	327,212 121,605	-
Total Governmental Activities Long- Term Obligations	<u>\$ 66,510,678</u>	<u>\$ 17,416,589</u>	<u>\$ (17,405,000)</u>	<u>\$ 66,522,267</u>	<u>\$ 2,072,211</u>

2000 School Improvement Bonds

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

2001 School Improvement Bonds

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 – LONG-TERM OBLIGATIONS (continued)

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

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

2004 School Improvement Bonds

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

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

The serial bonds issued at \$22,530,000 with final maturity dates after December 1, 2014 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the District and by lot within maturity, at the option of the Board of Education on or after June 1, 2014 at the redemption price of 100 percent. \$9,185,000 of the serial bonds were refunded on November 1, 2006, an additional \$2,980,000 were refunded on October 11, 2007, and the \$7,820,000 in serial bonds that were outstanding at June 30, 2011 were refunded on December 22, 2011.

The capital appreciation bonds were issued for \$70,000. The maturity amount of the bonds is \$2,875,000.

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

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

2005 School Construction Current Refunding Bonds

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTE 13 – LONG-TERM OBLIGATIONS (continued)

The term bonds, issued at \$3,170,000, that mature in 2032, were refunded on March 6, 2012.

The serial bonds issued at \$7,830,000 and with final maturity dates after June 1, 2015 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after June 1, 2015 at the redemption price of 100 percent. \$5,335,000 of the serial bonds were refunded on March 6, 2012.

2005 School Bus Bonds

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

2005 School Improvement Advance Refunding Bonds

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

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

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

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

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

2006 Advance Refunding Bonds

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

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NOTE 13 – LONG-TERM OBLIGATIONS (continued)

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

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

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

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

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

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

Fiscal Year	Maturity Amount
2016	\$ 105,000
2017	1,165,000

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 – LONG-TERM OBLIGATIONS (continued)

2007 Advanced Refunding Bonds

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

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

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

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

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 – LONG-TERM OBLIGATIONS (continued)

2011 Certificates of Participation

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

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

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

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

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

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

Fiscal Year	Principal	Interest	Total
2013	350,000	516,345	866,345
2014	355,000	509,295	864,295
2015	365,000	501,639	866,639
2016	370,000	493,139	863,139
2017-2021	770,000	2,363,438	3,133,438
2022-2026	-	2,342,600	2,342,600
2027-2031	5,360,000	1,445,300	6,805,300
2032-2036	2,660,000	425,630	3,085,630
Total	<u>\$ 10,230,000</u>	<u>\$ 8,597,386</u>	<u>\$ 18,827,386</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 – LONG-TERM OBLIGATIONS (continued)

2011 Advanced Refunding Bonds

On December 22, 2011, the School District issued \$7,820,000 in general obligation bonds for the purpose of refunding \$7,820,000 of the 2004 School Improvement Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of \$7,395,000 and \$425,000, respectively. The bonds were issued for a 10 year period, with final maturity in December 2021. The total debt service payments were reduced by \$570,476 and the present value of this reduction resulted in an economic gain of \$548,187.

The serial bonds and capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal year 2018 in the amount of \$1,495,000.

2012 Advanced Refunding Bonds

On March 6, 2012, the School District issued \$8,502,212 in general obligation bonds for the purpose of refunding \$8,505,000 of the 2005 School Construction Current Refunding Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of \$8,175,000 and \$327,212, respectively. The bonds were issued for a 20 year period, with final maturity in December 2032. The total debt service payments were reduced by \$1,022,864 and the present value of this reduction resulted in an economic gain of \$894,720.

The serial bonds issued at \$8,175,000 and with final maturity dates after December 1, 2021 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the School District and by lot within maturity, at the option of the Board of Education on or after December 1, 2021 at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$327,212, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2017 through 2020 as follows:

<u>Fiscal Year</u>	<u>Maturity Amount</u>
2017	\$ 500,000
2018	495,000
2019	495,000
2020	500,000

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School District’s outstanding debt at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	1,365,000	2,002,385	-	388,215	357,211	77,789
2014	630,000	1,967,015	-	388,215	618,102	381,898
2015	580,000	1,572,645	70,000	385,415	550,434	634,566
2016	555,000	1,552,825	70,000	382,615	508,642	1,041,358
2017	205,000	1,542,605	75,000	379,615	638,722	1,786,278
2018-2022	12,445,000	7,080,967	495,000	1,839,585	1,614,156	4,360,844
2023-2027	16,615,000	3,863,211	6,325,000	1,040,445	-	-
2028-2032	9,780,000	556,744	2,110,000	183,313	-	-
2033-2036	685,000	10,618	-	-	-	-
Total	<u>\$ 42,860,000</u>	<u>\$ 20,149,015</u>	<u>\$ 9,145,000</u>	<u>\$ 4,987,418</u>	<u>\$ 4,287,267</u>	<u>\$ 8,282,733</u>

All general obligation bonds will be retired from the Debt Service Fund with property tax revenues.

NOTE 14 – INTERFUND ACTIVITY

During the fiscal year, the School District had one transfer from the Permanent Improvement Fund to the Debt Service Fund. The transfer was for the debt service payments related to the bus purchase bonds.

At fiscal year-end, the General Fund and Building Fund had unpaid interfund cash advances in the amount of \$102,754 and \$101,037, respectively, which represents short-term loans made to other funds of the District. These loans are expected to be repaid within one year.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association - The School District is a participant in the Licking Area Computer Association (LACA), which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendent from all participating districts. The School District paid \$146,775 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, Ohio 43055.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Metropolitan Educational Council - The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each fiscal year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District paid \$1,405 to MEC for membership during fiscal year 2012. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

C. School Study Council of Ohio - The School Study Council of Ohio (the “Council”) is a jointly governed organization operated by a Board of Trustees (the “Board”) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and participate in Council discussions, but are not entitled to vote. The Board is annually elected from within the Council’s active membership. The Board consisted of 14 members. In fiscal year 2012, Licking Heights Local School District obtained active membership privileges and paid a membership fee of \$400. Financial information may be obtained from the School Study Council of Ohio, at 2080 Citygate Drive, Columbus, OH 43219.

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

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 – SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of an equal amount for the acquisition and construction of capital improvements.

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

	Capital Acquisition
Set-aside cash balance as of June 30, 2011	\$ -
Current fiscal year set-aside requirement	581,302
Current fiscal year offsets	(889,015)
Qualifying Disbursements	-
Set-aside Reserve Balance as of June 30, 2012	\$ (307,713)
 Required Set-aside Balances Carried Forward to FY 2013	 \$ -

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 – CONTINGENCIES

A. Grants and Student Attendance Data Review

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School.

District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is party to various other legal proceedings. The District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse affect on the District's financial position.

NOTE 18 – SUBSEQUENT EVENTS

On October 24, 2012, Licking Heights Local School District authorized the issuance of bonds in the amount of not to exceed \$15,865,000 for the purpose of advance refunding a portion of the bonds issued in June 2005.

On November 6, 2012, Licking Heights Local School District operating levy failed. The District already had measures in place to ensure that operations can still continue. As a result, the District has currently eliminated busing and reduced staff.

On February 5, 2013, Licking Heights Local School District approved a resolution to place an 8.92 mill emergency operating levy on the May 7, 2013 ballot.

NOTE 19 – CONTINGENT LIABILITY

The Licking County Educational Service Center (ESC) has demanded and threatened to file a lawsuit for payment of contractual obligations for certain services provided by the ESC to the District during the 2011 and 2012 fiscal years. The parties have been negotiating the actual amount owed by the District, which is approximately \$282,000 for both years.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR				
<i>Pass Through Grantor</i>	Grant Award	Federal		
Program Title	Year	CFDA	Receipts	Disbursements
		Number		
U.S. DEPARTMENT OF AGRICULTURE:				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2012	10.555	\$ 50,607	\$ 50,607
Cash Assistance				
School Breakfast Program	2012	10.553	263,873	263,873
National School Lunch Program	2012	10.555	554,046	554,046
Total Nutrition Cluster			<u>868,526</u>	<u>868,526</u>
Team Nutrition Grants Program				
	2011	10.574	28,764	52,879
	2012		2,500	2,498
Total Team Nutrition Grants Program			<u>31,264</u>	<u>55,377</u>
Total U.S. Department of Agriculture			<u>899,790</u>	<u>923,903</u>
U.S. DEPARTMENT OF EDUCATION:				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies Program	2011	84.010	25,538	26,031
	2012		109,713	122,538
ARRA - Title I Grants to Local Educational Agencies Program	2011	84.389	10,272	10,272
Total Title I Grants to Local Educational Agencies Cluster			<u>145,523</u>	<u>158,841</u>
Special Education_Grants to States Cluster:				
Special Education_Grants to States Program	2011	84.027	167,214	180,044
	2012		394,662	426,843
ARRA - Special Education_Grants to States Program	2011	84.391	16,569	16,569
	2012		-	-
Total Special Education_Grants to States Cluster			<u>578,445</u>	<u>623,456</u>
Education Technology State Grants Program	2012	84.318	-	1,141
English Language Acquisition Grants Program	2011	84.365	18,780	20,620
	2012		47,890	47,890
Total English Language Acquisition Grants Program			<u>66,670</u>	<u>68,510</u>
Improving Teacher Quality State Grants Program	2011	84.367	6,297	7,153
	2012		35,132	35,280
Total Improving Teacher Quality State Grants Program			<u>41,429</u>	<u>42,433</u>
ED Jobs	2012	84.410	396,338	399,672
ARRA - Fiscal Stabilization Program	2011	84.394	-	2,634
Total ARRA - Fiscal Stabilization Program			<u>-</u>	<u>2,634</u>
ARRA - Race to the Top Program	2011	84.395	4,824	5,794
	2012		43,261	54,875
Total ARRA - Race to the Top Program			<u>48,085</u>	<u>60,669</u>
Total U.S. Department of Education			<u>1,276,490</u>	<u>1,357,356</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<i>Passed Through Ohio Department of Education:</i>				
Maternal and Child Health Federal Consolidated Programs	2012	93.110	350	350
Totals			<u>\$ 2,176,630</u>	<u>\$ 2,281,609</u>

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Licking Heights 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

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2013, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinion 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 Licking Heights Local School District had an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2013.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 11, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Licking Heights Local School District, Licking County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2012. 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 Licking Heights Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

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.

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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 the finance committee, management, the 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

March 11, 2013

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

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 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)?	Yes
<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 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(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster (CFDA 10.553, 10.555) Education Jobs (CFDA 84.410)
<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**

FINDING NUMBER 2012-01

Noncompliance Finding - Ohio Administration Code

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)

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

FINDING NUMBER 2012-01 (Continued)

Noncompliance Finding - Ohio Administration Code (Continued)

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the School District may be fined for its failure to file the required financial report.

We recommend the District prepare its financial statements in accordance with the GAAP.

Officials' Response:

District officials made a financial decision not to report on GAAP. Given the size of the District, the cost to report on GAAP exceeds the benefit.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 4, 2013