



Dave Yost • Auditor of State

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the basic financial statements, during the year ended June 30, 2013, the District changed its accounting basis from the cash accounting basis to accounting principles generally accepted in the United States of America. The District has revised its financial presentation to comply with the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Columbus, Ohio

April 24, 2014

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LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 (UNAUDITED)

This discussion and analysis of the Licking Heights Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- At fiscal year-end, the School District's Net Position totaled \$1.2 million, a \$1.4 million decrease in comparison with the prior fiscal year.
- General and Program-specific revenues totaled \$32.2 million and \$3.5 million, respectively.
- The School District had \$37.1 million in expenses. As stated above, only \$3.5 million of these expenses were offset by program revenues. The net expenses of the School District's programs are funded by general revenues, consisting primarily of property taxes and unrestricted grants and entitlements.

Using the Basic Financial Statements

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 (UNAUDITED)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Fiduciary Funds

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

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 21 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$1.2 million (net position) at the close of the current fiscal year.

The largest portions of the School District's net position are restricted for debt service (\$786,419), permanent improvement (\$1.1 million), and building projects (\$1.9 million).

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LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

An analysis of fiscal year 2013 in comparison with fiscal year 2012 follows for the Statement of Net Position:

	<u>2013</u>	<u>Restated 2012</u>	<u>Change</u>
Current Assets	\$ 35,906,729	\$ 31,395,911	14.37%
Capital Assets	60,335,313	60,837,349	-0.83%
Total Assets	<u>96,242,042</u>	<u>92,233,260</u>	4.35%
Deferred Amount on Refunding	3,054,726	2,428,072	25.81%
Total Deferred Outflows of Resources	<u>3,054,726</u>	<u>2,428,072</u>	25.81%
Current Liabilities	3,751,460	4,771,406	-21.38%
Long-term Liabilities	76,549,602	72,129,051	6.13%
Total Liabilities	<u>80,301,062</u>	<u>76,900,457</u>	4.42%
Property Taxes	17,777,560	15,162,558	17.25%
Total Deferred Inflows of Resources	<u>17,777,560</u>	<u>15,162,558</u>	17.25%
Net Investment in Capital Assets	2,030	800,512	-99.75%
Restricted	3,975,000	4,354,976	-8.73%
Unrestricted	<u>(2,758,884)</u>	<u>(2,557,171)</u>	7.89%
Total Net Position	<u>\$ 1,218,146</u>	<u>\$ 2,598,317</u>	-53.12%

Current Assets and Deferred Inflows of Resources both increased significantly in comparison with the prior fiscal year. These increases are primarily the result of a \$2.1 million increase in property taxes receivable.

Long-term liabilities increased by \$4.4 million. This increase is primarily the result the School District's \$4.3 million tax anticipation note issuance.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

An analysis of fiscal year 2013 in comparison with fiscal year 2012 follows for the Statement of Activities:

Governmental Activities			
	2013	Restated 2012	Percent Change
Program Revenues			
Charges for Services	\$ 1,222,581	\$ 1,244,081	-1.73%
Operating Grants	2,255,875	2,165,384	4.18%
General Revenues			
Property Taxes	18,120,045	18,188,807	-0.38%
Revenue in Lieu of Taxes	1,865,165	1,863,207	0.11%
Grants and Entitlements not Restricted to Specific Programs	10,954,353	10,154,674	7.87%
Investment Earnings	14,909	32,675	-54.37%
Settlement Revenue	1,196,855	-	100.00%
Miscellaneous	104,017	151,669	-31.42%
Total Revenues	35,733,800	33,800,497	5.72%
Program Expenses			
Instructional	19,371,776	19,214,144	0.82%
Support Services	12,081,208	11,680,662	3.43%
Non-Instructional	1,481,998	1,519,907	-2.49%
Extra Curricular Activities	567,537	552,410	2.74%
Interest and Fiscal Charges	3,611,452	3,234,077	11.67%
Total Expenses	37,113,971	36,201,200	2.52%
Change in Net Position	(1,380,171)	(2,400,703)	
Net Position at Beginning of Year	2,598,317	4,999,020	
Net Position at End of Year	\$ 1,218,146	\$ 2,598,317	

Total revenues increased \$1.9 million. This increase is primarily the result of the settlement revenue recognized in the current fiscal year.

Total expenses increased \$912,771, or 3 percent in comparison with the prior fiscal year. For the most part, this increase represents inflationary increases and increased interest expense.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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

An analysis of fiscal year 2013 in comparison with fiscal year 2012 follows:

	<u>Total Cost of Services 2013</u>	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2013</u>	<u>Net Cost of Services 2012</u>
Program expenses				
Instructional	\$ 19,371,776	\$ 19,214,144	\$ 18,107,910	\$ 17,969,316
Support services	12,081,208	11,680,662	11,643,931	11,319,385
Non-Instructional	1,481,998	1,519,907	(18,782)	4,238
Extra Curricular Activities	567,537	552,410	291,004	264,719
Interest	<u>3,611,452</u>	<u>3,234,077</u>	<u>3,611,452</u>	<u>3,234,077</u>
Total	<u>\$ 37,113,971</u>	<u>\$ 36,201,200</u>	<u>\$ 33,635,515</u>	<u>\$ 32,791,735</u>

Financial Analysis of the School District's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$8.1 million, a decrease of \$2.8 million in comparison with the prior fiscal year. The School District's had an unassigned fund balance of negative \$639,290. The remaining fund balance is either restricted by external third parties for specific purposes (\$7.6 million) or assigned by the School District for specific purposes (\$1.1 million).

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

An analysis of fiscal year 2013 in comparison with fiscal year 2012 follows:

	<u>Fund Balance June 30, 2013</u>	<u>Restated Fund Balance June 30, 2012</u>	<u>Variance</u>
General Fund	\$ 623,046	\$ 811,582	\$ (188,536)
Debt Service Fund	873,058	2,172,704	(1,299,646)
Building Fund	5,471,121	6,848,559	(1,377,438)
Other Governmental Funds	1,088,630	1,073,941	14,689
Total Governmental Funds	<u>\$ 8,055,855</u>	<u>\$ 10,906,786</u>	<u>\$ (2,850,931)</u>

General Fund

The General Fund is the chief operating fund of the School District. There was no unassigned fund balance in the general fund at the end of the current fiscal year. Fund balance in the General Fund decreased \$188,536 during the current fiscal year. This decrease represents the amount in which expenditures exceeded revenues during the fiscal year.

Debt Service Fund

Fund balance in the Debt Service Fund decreased \$1.3 million during the fiscal year. This decrease represents the amount in which current year debt service expenditures exceeded property tax and related revenues.

Building Fund

Fund balance in the Building Fund decreased \$1.4 million during the fiscal year. This decrease is primarily the result of spending bond proceeds from prior fiscal years.

General Fund Budget Information

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 (UNAUDITED)

Capital Assets

At the end of the fiscal year, the School District had \$60.3 million (net of accumulated depreciation) invested in capital assets, a decrease of \$502,036 in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation (\$2.0 million) exceeded capital acquisitions (\$1.5 million). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Detailed information regarding capital asset activity is included in the Note 9 to the basic financial statements.

Debt

At the end of the fiscal year, the School District had total bonded debt outstanding of \$75.3 million, an increase of \$4.1 million in comparison with the prior fiscal year. This increase represents the amount in which current year issuances (\$21.8 million) and accretion/amortization (\$0.9 million) exceeded principal payments (\$18.6 million).

Detailed information regarding long-term obligations is included in Notes 15 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 Peg Betts, Interim Treasurer, at Licking Heights Local School District, 6539 Summit Road SW, Pataskala, Ohio 43062.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 6,355,385
Investments	5,250,010
Receivables:	
Property Taxes	21,344,903
Revenue in Lieu of Taxes	1,387,182
Intergovernmental	286,069
Accounts	76,433
Settlement	1,196,855
Materials and Supplies Inventory	9,892
Nondepreciable Capital Assets	1,821,947
Depreciable Capital Assets, Net	58,513,366
Total Assets	96,242,042
Deferred Outflows of Resources	
Unamortized Amount on Refunding	3,054,726
Total Deferred Outflows of Resources	3,054,726
Liabilities	
Accounts Payable	283,177
Accrued Wages and Benefits Payable	2,421,063
Intergovernmental Payable	872,834
Accrued Interest Payable	174,386
Long-Term Liabilities	
Due within One Year	3,201,500
Due in More Than One Year	73,348,102
Total Liabilities	80,301,062
Deferred Inflows of Resources	
Property and Other Local Taxes	17,777,560
Total Deferred Inflows of Resources	17,777,560
Net Position	
Net Investment in Capital Assets	2,030
Restricted for:	
Debt Service	786,419
Permanent Improvement	1,119,836
Building Fund	1,858,820
Food Service	90,864
Special Trust	6,549
Other Local Grants	2,890
Extracurricular Activities	33,774
State and Federal Grants	75,848
Unrestricted	(2,758,884)
Total Net Position	\$ 1,218,146

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 14,093,807	\$ 298,143	\$ 468,101	\$ (13,327,563)
Special	3,351,224	73,833	376,194	(2,901,197)
Vocational	149,808	3,650	-	(146,158)
Other	1,776,937	42,695	1,250	(1,732,992)
Support Services				
Pupils	1,558,857	-	120,059	(1,438,798)
Instructional Staff	2,097,754	-	244,017	(1,853,737)
Board of Education	40,229	-	-	(40,229)
Administration	2,128,444	-	62,513	(2,065,931)
Fiscal	765,822	-	-	(765,822)
Operation and Maintenance of Plant	2,800,667	-	159	(2,800,508)
Pupil Transportation	2,472,550	-	1,529	(2,471,021)
Central	216,885	-	9,000	(207,885)
Non-Instructional Services	1,481,998	540,134	960,646	18,782
Extracurricular Activities	567,537	264,126	12,407	(291,004)
Interest and Fiscal Charges	3,611,452	-	-	(3,611,452)
Total Governmental Activities	\$ 37,113,971	\$ 1,222,581	\$ 2,255,875	(33,635,515)
General Revenues				
Property Taxes Levied for:				
				14,644,830
General Purposes				2,651,603
Debt Service				823,612
Permanent Improvement				1,865,165
Revenue in Lieu of Taxes				
Grants & Entitlements not Restricted to Specific Programs				10,954,353
Investment Earnings				14,909
Settlement Revenue				1,196,855
Miscellaneous				104,017
Total General Revenues				32,255,344
Change in Net Position				(1,380,171)
Net Position Beginning of Year, Restated				2,598,317
Net Position End of Year				\$ 1,218,146

*****See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 4,471,237	\$ 297,255	\$ 246,795	\$ 1,340,098	\$ 6,355,385
Investments	-	-	5,250,010	-	5,250,010
Receivables:					
Property Taxes	17,577,141	2,872,747	-	895,015	21,344,903
Revenue in Lieu of Taxes	1,387,182	-	-	-	1,387,182
Intergovernmental	74,426	-	-	211,643	286,069
Accounts	76,433	-	-	-	76,433
Interfund	164,128	-	-	-	164,128
Settlement	1,196,855	-	-	-	1,196,855
Materials and Supplies Inventory	-	-	-	9,892	9,892
Total Assets	\$ 24,947,402	\$ 3,170,002	\$ 5,496,805	\$ 2,456,648	\$ 36,070,857
Liabilities:					
Accounts Payable	\$ 206,420	\$ -	\$ 25,684	\$ 51,073	\$ 283,177
Accrued Wages and Benefits Payable	2,250,494	-	-	170,569	2,421,063
Intergovernmental Payable	817,553	-	-	55,281	872,834
Interfund Payable	-	-	-	164,128	164,128
Matured Compensated Absences	103,107	-	-	-	103,107
Notes Payable	4,300,000	-	-	-	4,300,000
Total Liabilities	7,677,574	-	25,684	441,051	8,144,309
Deferred Inflows of Resources:					
Property and Other Local Taxes	14,879,378	2,209,197	-	688,985	17,777,560
Unavailable Revenue	1,767,404	87,747	-	237,982	2,093,133
Total Deferred Inflows of Resources	16,646,782	2,296,944	-	926,967	19,870,693
Fund Balances:					
Restricted for:					
Debt Service	-	873,058	-	-	873,058
Building Fund	-	-	5,471,121	-	5,471,121
Permanent Improvement	-	-	-	1,092,821	1,092,821
Food Service	-	-	-	90,864	90,864
Special Trust	-	-	-	6,549	6,549
Other Local Grants	-	-	-	2,890	2,890
Extracurricular Activities	-	-	-	33,774	33,774
State and Federal Grants	-	-	-	15,131	15,131
Assigned for:					
Public School Support	94,026	-	-	-	94,026
Future Appropriations	987,878	-	-	-	987,878
Instruction	945	-	-	-	945
Support Services	26,088	-	-	-	26,088
Unassigned (Defecit):	(485,891)	-	-	(153,399)	(639,290)
Total Fund Balances	623,046	873,058	5,471,121	1,088,630	8,055,855
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 24,947,402	\$ 3,170,002	\$ 5,496,805	\$ 2,456,648	\$ 36,070,857

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total Governmental Fund Balances \$ 8,055,855

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 60,335,313

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

Delinquent Property Tax Receivables	608,878
Intergovernmental Receivables	1,407,822
Accounts Receivables	76,433

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

Bonds and Notes Payable	(65,936,766)
Unamortized Issuance Premiums	(5,024,588)
Unamortized Losses on Refundings	3,309,241
Unamortized Gain on Refunding	(254,515)
Accrued Interest Payable	(174,386)
Capital Leases Payable	(360,047)
Compensated Absence Payable	(825,094)
	(69,266,155)

Net Position of Governmental Activities \$ 1,218,146

.....See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 14,638,575	\$ 2,653,923	\$ -	\$ 824,786	\$ 18,117,284
Revenue in Lieu of Taxes	1,865,165	-	-	-	1,865,165
Intergovernmental	10,448,681	399,195	-	2,139,297	12,987,173
Investment Earnings	1,255	-	13,654	-	14,909
Tuition and Fees	381,903	-	-	-	381,903
Rent	15,134	-	-	-	15,134
Extracurricular Activities	155,790	-	-	88,623	244,413
Contributions and Donations	21,802	-	-	3,679	25,481
Customer Sales and Services	-	-	-	539,434	539,434
Miscellaneous	70,429	-	-	8,605	79,034
Total Revenues	27,598,734	3,053,118	13,654	3,604,424	34,269,930
Expenditures:					
Instruction:					
Regular	11,756,862	-	675	553,390	12,310,927
Special	2,886,472	-	52,865	393,483	3,332,820
Vocational	131,532	-	-	18,046	149,578
Other	1,757,621	-	-	1,500	1,759,121
Support services:					
Pupils	1,447,774	-	-	117,502	1,565,276
Instructional Staff	1,423,391	-	322,801	342,272	2,088,464
Board of Education	40,229	-	-	-	40,229
Administration	2,064,843	-	-	62,460	2,127,303
Fiscal	704,661	44,715	-	21,346	770,722
Operation and Maintenance of Plant	2,814,230	-	225,355	161,551	3,201,136
Pupil Transportation	2,157,958	-	-	435,252	2,593,210
Central	214,228	-	-	10,898	225,126
Non-Instructional Services	-	-	-	1,458,017	1,458,017
Extracurricular Activities	379,735	-	-	175,727	555,462
Capital Outlay	-	-	789,396	86,553	875,949
Debt service:					
Principal Retirement	4,023	2,150,000	-	93,208	2,247,231
Interest and Fiscal Charges	453	2,266,949	-	-	2,267,402
Bond Issuance Costs	23,225	241,890	-	-	265,115
Total Expenditures	27,807,237	4,703,554	1,391,092	3,931,205	37,833,088
Excess (Deficiency) of Revenues Over (Under) Expenditures	(208,503)	(1,650,436)	(1,377,438)	(326,781)	(3,563,158)
Other Financing Sources (Uses):					
Sale of Capital Assets	11,024	-	-	-	11,024
Proceeds from Insurance Recoveries	8,943	-	-	-	8,943
Inception of Capital Lease	-	-	-	450,370	450,370
Bond Proceeds	-	15,719,980	-	-	15,719,980
Premium on Bond Proceeds	-	1,743,298	-	-	1,743,298
Payment to Refunding Bond Escrow Agent	-	(17,221,388)	-	-	(17,221,388)
Transfers In	-	108,900	-	-	108,900
Transfers Out	-	-	-	(108,900)	(108,900)
Total Other Financing Sources (Uses)	19,967	350,790	-	341,470	712,227
Net Change in Fund Balances	(188,536)	(1,299,646)	(1,377,438)	14,689	(2,850,931)
Fund Balances - Beginning of Year, Restated	811,582	2,172,704	6,848,559	1,073,941	10,906,786
Fund Balances - End of Year	<u>\$ 623,046</u>	<u>\$ 873,058</u>	<u>\$ 5,471,121</u>	<u>\$ 1,088,630</u>	<u>\$ 8,055,855</u>

.....See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (2,850,931)

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

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

Depreciation Expense	(2,039,253)
Capital Outlay	1,537,217

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,443,903
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Issuance of Bonds	(15,719,980)
Premium on Bonds	(1,743,298)
Bond and Note Principal Repayments	2,150,000
Inception of Capital Lease	(450,370)
Capital Lease Principal Repayments	97,231
Payment to Refunding Bond Escrow Agent	17,221,388
Amortization of Bond Issuance Premiums	655,456
Amortization of Losses on Refundings	(211,960)
Amortization of Gain on Refunding	16,689

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

Compensated Absences	52,857
Accrued Interest	25,399
Accretion of Capital Appreciation Bonds	<u>(1,564,519)</u>

Change in Net Position of Governmental Activities \$ (1,380,171)

.....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, 2013

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 14,790,357	\$ 14,950,846	\$ 14,950,846	\$ -
Revenue in Lieu of Taxes	2,005,000	1,915,071	1,875,078	(39,993)
Intergovernmental	9,766,949	10,448,681	10,448,681	-
Investment Earnings	6,000	1,450	1,255	(195)
Tuition and Fees	302,712	381,780	381,903	123
Rent	21,500	13,934	15,134	1,200
Extracurricular Activities	71,000	69,200	69,200	-
Contributions and Donations	12,000	10,295	10,295	-
Miscellaneous	178,000	64,082	65,021	939
Total Revenues	<u>27,153,518</u>	<u>27,855,339</u>	<u>27,817,413</u>	<u>(37,926)</u>
Expenditures:				
Instruction:				
Regular	11,780,468	11,940,249	11,922,592	17,657
Special	2,463,968	2,611,955	2,613,708	(1,753)
Vocational	209,905	155,588	155,120	468
Other	1,573,255	1,753,109	1,753,720	(611)
Support services:				
Pupils	1,380,203	1,485,470	1,477,123	8,347
Instructional Staff	1,492,795	1,420,544	1,423,656	(3,112)
Board of Education	83,236	45,126	47,074	(1,948)
Administration	2,020,086	2,100,430	2,095,392	5,038
Fiscal	628,830	705,696	704,384	1,312
Operation and Maintenance of Plant	2,981,808	2,849,950	2,814,763	35,187
Pupil Transportation	2,499,665	2,298,263	2,223,732	74,531
Central	211,826	217,293	218,461	(1,168)
Extracurricular Activities	293,784	288,498	289,231	(733)
Total Expenditures	<u>27,619,829</u>	<u>27,872,171</u>	<u>27,738,956</u>	<u>133,215</u>
Excess of Revenues Over (Under) Expenditures	<u>(466,311)</u>	<u>(16,832)</u>	<u>78,457</u>	<u>95,289</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	7,702	11,011	11,024	13
Proceeds from Insurance Recoveries	4,833	8,943	8,943	-
Bond Proceeds	-	4,276,775	4,276,775	-
Contingencies	(394,975)	(101,466)	-	101,466
Transfers In	150,000	174,947	174,947	-
Transfers Out	(150,000)	(174,947)	(174,947)	-
Advances In	101,037	101,037	101,037	-
Advances Out	(101,037)	(263,448)	(263,448)	-
Total Other Financing Sources (Uses)	<u>(382,440)</u>	<u>4,032,852</u>	<u>4,134,331</u>	<u>101,479</u>
Net Change in Fund Balance	<u>(848,751)</u>	<u>4,016,020</u>	<u>4,212,788</u>	<u>196,768</u>
Fund Balances at Beginning of Year	124,231	124,231	124,231	-
Prior Year Encumbrances Appropriated	13,132	13,132	13,132	-
Fund Balances at End of Year	<u>\$ (711,388)</u>	<u>\$ 4,153,383</u>	<u>\$ 4,350,151</u>	<u>\$ 196,768</u>

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
AS OF JUNE 30, 2013

	Student Managed <u>Activities</u>
Assets	
Cash and Cash Equivalents	\$ 86,142
Total Assets	<u>86,142</u>
Liabilities	
Undistributed Monies	86,142
Total Liabilities	<u>\$ 86,142</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, 2013

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 162 classified employees and 250 certificated teaching personnel who provide services to 3,724 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, the School Study Council of Ohio, and State Support Team. These organizations are presented in Note 17 to the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. 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.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has one item that qualifies for reporting in this category. It is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental funds balance sheet. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the availability period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental revenue, and fee revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenditures/Expenses

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

E. Budgetary Process

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

F. Cash and 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 2013, investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and money market accounts.

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, 2013.

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 2013 amounted to \$1,255. The building fund was also credited in the amount of \$13,654.

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

G. Inventory

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The entire sick leave benefit liability is reported on the government-wide financial statements. On the governmental fund financial statements, sick leave benefits are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences” in the funds from which these payments will be made.

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

K. Bond Premiums/Issuance Costs/Accretion

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond issuance costs are expensed as incurred. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and the interest on capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

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

L. Accrued Liabilities and Long-term Obligations

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the 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 School 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.

The School District applies restricted resources first when disbursements are incurred for purposes for which both restricted and unrestricted (assigned and unassigned) fund balance is available. Similarly, within unrestricted fund balance, assigned amounts are reduced first followed by 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.

N. Internal Activity

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is 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 position are available.

P. Estimates

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

Q. Extraordinary and Special Items

Extraordinary items are transactions of events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of District management and that are either unusual in nature or infrequent in occurrence. During the fiscal year, the School District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 – ACCOUNTABILITY

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

<u>Fund Name</u>	<u>Amount</u>
Title VI-B IDEA	\$ (49,558)
Title III Limited English Proficiency	(7,220)
Title I Disadvantaged Children	(89,385)
Improving Teacher Quality	(7,236)

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 – RESTATEMENT OF BEGINNING BALANCES

Change in Basis of Accounting

For fiscal year 2013, the School District ceased to report on the modified cash basis and reported using accounting principles generally accepted in the United States of America described in Note 2D.

The implementation of this change had the following effects on beginning fund balances:

	General Fund	Debt Service Fund	Building Fund	Other Governmental Fund
Fund Balance June 30, 2012	\$ 225,046	\$ 1,365,383	\$ 7,766,863	\$ 1,231,629
Adjustment for Reclassification of Transfers	-	104,378	-	(104,378)
Add Receivables	16,885,955	2,871,130	-	1,027,877
Add Materials and Supplies Inventory	-	-	-	22,028
Add Due from Other Funds	102,754	-	101,037	-
Deduct Payables	(3,334,594)	-	(1,019,341)	(323,402)
Deduct Due to Other Funds	(101,037)	-	-	(102,754)
Deduct Deferred Inflows of Resources	(12,966,542)	(2,168,187)	-	(677,059)
Adjusted Fund Balances July 1, 2012	<u>\$ 811,582</u>	<u>\$ 2,172,704</u>	<u>\$ 6,848,559</u>	<u>\$ 1,073,941</u>

The effects on beginning net position of governmental activities is as follows:

	Governmental Activities	Agency Fund
Net Position June 30, 2012	\$ 10,588,921	\$ 79,115
Add Receivables	20,784,962	-
Add Materials and supplies inventory	22,028	-
Add Deferred Outflows of Resources	2,428,072	-
Add Capital Assets	60,837,349	-
Deduct Payables	(4,771,406)	-
Deduct Long-term Liabilities	(72,129,051)	-
Deduct Deferred Inflows of Resources	(15,162,558)	-
Adjusted Net Position July 1, 2012	<u>\$ 2,598,317</u>	<u>\$ 79,115</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

GAAP Basis	\$	(188,536)
Adjustments:		
Public School Support Fund		(6,910)
Revenue Accruals		328,584
Expenditure Accruals		(7,681)
Advances, Net		(162,411)
Note Proceeds, Net		4,276,775
Encumbrances		(27,033)
Budget Basis	<u>\$</u>	<u>4,212,788</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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;
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.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

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 \$11,488,560, and the bank balance was \$11,675,842. Of the School District’s bank balance, \$10,672,991 was exposed to custodial risk because it was uninsured and uncollateralized, while \$1,002,851 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	<u>Investment Maturities</u> Within 1 Year
STAR Ohio	\$ 68,684	35%	\$ 68,684
Money Market Funds	130,293	65%	130,293
Total	<u>\$ 198,977</u>	<u>100%</u>	<u>\$ 198,977</u>

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 STAR Ohio and money market accounts both 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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in calendar year 2013 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.

Tangible personal property tax revenue received during calendar year 2013 (other than public utility property tax) represents the collection of calendar year 2013 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.

Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after October 1, 2012, on the value as of December 31, 2012. 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.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 – PROPERTY TAXES (continued)

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, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	<u>2012 Second Half Collections</u>		<u>2013 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 476,593,710	98.11%	\$ 476,593,710	98.11%
Public Utility Personal	9,178,430	1.89%	9,178,430	1.88%
Total	<u>\$ 485,772,140</u>	<u>100.00%</u>	<u>\$ 485,772,140</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 50.89		\$ 50.87	

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LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 – RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

<u>Description</u>	<u>Amount</u>
Pension Overpayment	\$ 74,426
Race to the Top	4,801
Title VI-B IDEA	53,097
Limited English Proficiency	4,071
Title I Disadvantaged Children	140,761
IDEA Preschool	676
Improving Teacher Quality	8,237
Total Intergovernmental Receivables	<u>\$ 286,069</u>

Revenue in Lieu of Taxes

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 – CAPITAL ASSETS

Capital assets activity for the fiscal year was as follows:

	Beginning Balance	Additions	Transfers	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 1,821,947	\$ -	\$ -	\$ 1,821,947
Construction in Progress	5,172,061	584,220	(5,756,281)	-
Total Nondepreciable Assets	6,994,008	584,220	(5,756,281)	1,821,947
Depreciable Capital Assets				
Land Improvements	719,575	199,499	-	919,074
Buildings	66,507,781	3,525	5,756,281	72,267,587
Furniture, Fixtures and Equipment	1,828,545	330,128	-	2,158,673
Vehicles	3,304,136	419,845	-	3,723,981
Total Depreciable Assets	72,360,037	952,997	5,756,281	79,069,315
Less accumulated depreciation				
Land Improvements	(236,689)	(57,952)	-	(294,641)
Buildings	(14,633,014)	(1,555,277)	-	(16,188,291)
Furniture and Equipment	(1,111,034)	(175,474)	-	(1,286,508)
Vehicles	(2,535,959)	(250,550)	-	(2,786,509)
Total accumulated depreciation	(18,516,696)	(2,039,253)	-	(20,555,949)
Depreciable Capital Assets, Net of accumulated depreciation	53,843,341	(1,086,256)	5,756,281	58,513,366
Total Capital Assets, Net	\$ 60,837,349	\$ (502,036)	\$ -	\$ 60,335,313
Instruction Regular	\$ 1,572,206			
Instruction Special	6,804			
Instructional Staff	33,618			
Administration	6,250			
Operations and Maintenance	100,720			
Pupil Transportation	270,839			
Central	8,110			
Food Services	23,266			
Extracurricular Activities	17,440			
Total Depreciation Expense	\$ 2,039,253			

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 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)	\$69,249,935
General Liability (per Occurrence)	\$1,000,000
Annual Aggregate	\$3,000,000
Personal and Advertising Injury Aggregate	\$1,000,000
Automobile Liability (\$1,000 deductible)	\$1,000,000
Uninsured Motorists (\$1,000 deductible)	\$1,000,000
Medical Payments	\$5,000
Educators Legal Liability (Each Wrongful Act)	\$1,000,000
Annual Aggregate	\$3,000,000
Employment Practices Liability (Each Wrongful Act \$5,000 deductible)	\$1,000,000
Annual Aggregate	\$3,000,000
Back Wages Limit (\$10,000 deductible)	\$50,000
Commercial Excess Liability (Each Occurrence)	\$5,000,000
Annual Aggregate	\$5,000,000

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

B. Workers' Compensation

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 – 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, 2013, the allocation to pension and death benefits is 13.1%. The remaining .90% 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, 2013, 2012, and 2011, were \$506,084, \$531,255 and \$504,110, respectively, 59 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. The School District's unpaid contribution for fiscal year 2013 has been recorded as a liability in the appropriate funds.

B. State Teachers Retirement System of Ohio

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 – DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
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NOTE 11 – 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, 2013, 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, 2013, 2012, and 2011 were \$1,587,623, \$1,642,930, and \$1,607,164, respectively, 87 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. The School District's unpaid contribution for fiscal year 2013 has been recorded as a liability in the appropriate funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013 three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 – 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 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

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NOTE 12 – 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 2013, the actuarially required allocation is .74%. The School District's contributions for the years ended June 30, 2013, 2012 and 2011 were \$28,588, \$31,374, and \$32,441, respectively, 59 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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, 2013, the health care allocation is .16%. 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 2013, the minimum compensation level was established at \$20,525. 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, 2013, 2012, and 2011 were \$72,605, \$84,470, and \$124,914, respectively, 59 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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.

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NOTE 12 – 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 2013, 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, 2013, 2012, and 2011 were \$122,125, \$126,379, and \$123,628, respectively, 87 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 13 – EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 – EMPLOYEE BENEFITS (continued)

C. Deferred Compensation

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

NOTE 14 – LEASES – LESSEE DISCLOSURE

The School District has entered into capitalized leases for copiers, buses, and computers. Each lease meets the criteria of a capital lease, one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The copiers and buses acquired by the leases were initially capitalized in the amounts of \$72,953 and \$419,845, respectively, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position for governmental activities. Principal payments during the fiscal year of \$4,023 and \$93,208 were paid from the General Fund and Permanent Improvement Fund, respectively. The assets acquired through capital leases as of June 30, 2013, were acquired at cost of \$492,798. At fiscal year-end the copiers were fully depreciated and the buses have accumulated depreciation of \$34,256 for a net book value of \$385,589. The computers acquired by the lease did not meet the School District’s capitalization threshold.

The agreements provide for minimum annual rental payments as follows:

Fiscal Year	Principal	Interest	Total
2014	64,462	11,884	76,346
2015	63,609	9,754	73,363
2016	55,201	7,655	62,856
2017	57,023	5,833	62,856
2018	58,905	3,951	62,856
2019	60,847	2,008	62,855
Total	<u>\$ 360,047</u>	<u>\$ 41,085</u>	<u>\$ 401,132</u>

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NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2013 were as follows:

General Obligation Bonds:	Amounts Outstanding 6/30/12	Additions	Deductions	Amounts Outstanding 6/30/13	Amounts Due Within One Year
2000 School Improvement Bonds- 6.4%	\$ 895,000	\$ -	\$ (5,000)	\$ 890,000	5,000
2001 School Improvement Bonds- 4.55% to 6.0%					
Capital Appreciation Bonds (CABS)	74,032	-	-	74,032	17,127
Accretion on CABS	1,175,824	341,603	-	1,517,427	351,051
2004 School Improvement Bonds- Capital Appreciation Bonds (CABS)- 4.15% to 4.75%	55,000	-	(15,000)	40,000	15,000
Accretion on CABS	1,126,353	454,576	(420,000)	1,160,929	467,853
2005 School Construction Current Refunding Bonds					
Serial Bonds - 3.5% to 4.0%	915,000	-	(275,000)	640,000	285,000
Unamortized Premium	87,857	-	(21,964)	65,893	-
2005 School Bus Bonds					
Serial Bonds - 3.5% to 4.0%	395,000	-	(95,000)	300,000	95,000
Unamortized Premium	7,355	-	(1,839)	5,516	-
2005 School Improvement Advance Refunding Bonds					
Serial Bonds- 3.5% to 5.0%	14,225,000	-	(13,980,000)	245,000	80,000
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	319,613	79,143	-	398,756	-
Unamortized Premium	1,155,088	-	(747,410)	407,678	-
2006 Advance Refunding Bonds- 4.0%					
Serial Bonds	3,425,000	-	(95,000)	3,330,000	100,000
Term Bonds	5,350,000	-	-	5,350,000	-
Capital Appreciation Bonds (CABS)	29,993	-	-	29,993	-
Accretion on CABS	210,568	110,488	-	321,056	-
Unamortized Premium	561,248	-	(44,900)	516,348	-
2007 Advance Refunding Bonds					
Serial Bonds- 4.0% to 4.3%	7,435,000	-	(60,000)	7,375,000	65,000
Term Bonds- 4.0% to 4.1%	1,685,000	-	-	1,685,000	-
Capital Appreciation Bonds (CABS)	49,998	-	-	49,998	-
Accretion on CABS	110,208	46,289	-	156,497	-
Unamortized Premium	430,666	-	(26,503)	404,163	-

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NOTE 15 – LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds:	Amounts Outstanding 6/30/12	Additions	Deductions	Amounts Outstanding 6/30/13	Amounts Due Within One Year
2010A Certificates of Participation					
Serial Bonds	2,210,000	-	(350,000)	1,860,000	355,000
Unamortized Premium	30,207	-	(5,492)	24,715	-
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	-	(205,000)	7,190,000	-
Capital Appreciation Bonds (CABS)	425,000	-	-	425,000	-
Accretion on CABS	86,867	177,381	-	264,248	-
Unamortized Premium - CABS	820,850	-	(149,245)	671,605	-
Unamortized Premium - Serial Bonds	148,285	-	(15,609)	132,676	-
2012 Advance Refunding Bonds					
Serial Bonds	8,175,000	-	(260,000)	7,915,000	-
Capital Appreciation Bonds (CABS)	327,212	-	-	327,212	-
Accretion on CABS	121,605	260,769	-	382,374	-
Unamortized Premium - CABS	1,329,270	-	(227,868)	1,101,402	-
Unamortized Premium - Serial Bonds	45,383	-	(2,214)	43,169	-
2013 Advance Refunding Bonds					
Serial Bonds	-	15,190,000	-	15,190,000	100,000
Capital Appreciation Bonds (CABS)	-	529,980	-	529,980	-
Accretion on CABS	-	94,270	-	94,270	-
Unamortized Premium - CABS	-	1,743,298	(91,875)	1,651,423	-
General Obligation Bonds Payable	<u>71,138,476</u>	<u>19,027,797</u>	<u>(19,204,919)</u>	<u>70,961,354</u>	<u>1,936,031</u>
2013 Tax Anticipation Notes	-	4,300,000	-	4,300,000	1,050,000
Capital Leases	6,908	450,370	(97,231)	360,047	64,462
Compensated Absences	983,667	375,686	(431,152)	928,201	151,007
Total Long-Term Obligations	<u>\$ 72,129,051</u>	<u>\$ 24,153,853</u>	<u>\$ (19,733,302)</u>	<u>\$ 76,549,602</u>	<u>\$ 3,201,500</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.

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NOTE 15 – LONG-TERM OBLIGATIONS (continued)

2001 School Improvement Bonds

On September 15, 2000, the School District issued \$24,049,032 in voted general obligation bonds. The bond issue included serial, term and capital appreciation bonds, in the amounts of \$11,825,000, \$12,150,000, and \$74,032, respectively. The School District received \$25,082,472 in bond proceeds. The bonds were issued for a 28 year period with final maturity at December 31, 2028. The debt proceeds were used to construct a new high school building with a multi-purpose area for school and community use, renovating and improving existing school buildings and facilities, and acquiring land. On June 1, 2005, \$4,950,000 of the serial bonds and \$12,150,000 of the term bonds were advance refunded.

The capital appreciation bonds were issued for \$74,032. The 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 an additional \$7,820,000 in serial bonds were refunded with Series 2011 on December 22, 2011.

The capital appreciation bonds were issued for \$70,000. The capital appreciation bonds will mature in fiscal years 2014 through 2016 as follows:

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

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NOTE 15 – LONG-TERM OBLIGATIONS (continued)

2005 School Construction Current Refunding Bonds

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

The term bonds, issued at \$3,170,000, that mature in 2032, were refunded with Series 2012 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 with Series 2012 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, were refunded with Series 2013 on May 16, 2013. 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. \$13,610,000 of the serial bonds were refunded with Series 2013 on May 16, 2013.

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

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NOTE 15 – LONG-TERM OBLIGATIONS (continued)

2006 Advance Refunding Bonds

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

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

Fiscal Year	Principal Amount to be Redeemed
2018	\$ 50,000
2019	55,000
2020	55,000
2021	60,000
2022	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
2024	\$ 3,690,000
2025	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

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NOTE 15 – 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
2015	\$ 70,000
2016	70,000
2017	75,000
2018	75,000
2019	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
2021	\$ 30,000
2022	30,000
2023	145,000
2024	35,000
2025	35,000
2026	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.

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NOTE 15 – 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
2014	\$ 355,000	\$ 237,013	\$ 592,013
2015	365,000	229,357	594,357
2016	370,000	220,857	590,857
2017	380,000	211,713	591,713
2018	390,000	201,600	591,600
2019-2023	-	981,190	981,190
2024-2028	4,000,000	963,190	4,963,190
2029-2033	2,360,000	577,018	2,937,018
2034-2036	1,660,000	102,160	1,762,160
Total	<u>\$ 9,880,000</u>	<u>\$ 3,724,098</u>	<u>\$ 13,604,098</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 – 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

2013 Advanced Refunding Bonds

On May 16, 2013, the School District issued \$15,719,980 in general obligation bonds for the purpose of refunding \$15,720,000 of the 2005 School Improvement Advance Refunding Bonds. The bond issue included serial and capital appreciation bonds, in the amounts of \$15,190,000 and \$529,980, respectively. The bonds were issued for a 15 year period, with final maturity in December 2028. The total debt service payments were reduced by \$1,302,236 and the present value of this reduction resulted in an economic gain of \$1,077,106.

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

The serial bonds issued at \$15,720,000 and with final maturity dates after December 1, 2029 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, 2028 at the redemption price of 100 percent.

The capital appreciation bonds, issued at \$529,980, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2019 through 2020 as follows:

Fiscal Year	Maturity Amount
2019	\$ 1,330,000
2020	1,390,000

2013 Tax Anticipation Notes

On June 21, 2013, the School District issued \$4,300,000 in tax anticipation notes in anticipation of the collection of proceeds of the \$4,400,000 emergency levy approved by electors of the School District at the election held May 7, 2013.

Principal and interest requirements to retire the School District’s outstanding debt at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	730,000	2,315,662	-	282,715	851,031	148,969
2015	830,000	2,273,612	70,000	279,915	746,119	438,881
2016	805,000	2,247,230	70,000	277,115	695,109	854,891
2017	460,000	1,295,174	75,000	274,115	882,005	1,542,995
2018	260,000	1,290,113	125,000	270,115	1,172,733	1,647,267
2019-2023	15,825,000	5,689,691	515,000	1,290,280	1,599,769	4,275,231
2024-2028	16,875,000	3,107,469	6,180,000	264,635	-	-
2029-2033	7,290,000	331,854	-	-	-	-
2034-2036	-	-	-	-	-	-
Total	<u>\$ 43,075,000</u>	<u>\$ 18,550,805</u>	<u>\$ 7,035,000</u>	<u>\$ 2,938,890</u>	<u>\$ 5,946,766</u>	<u>\$ 8,908,234</u>

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

Fiscal Year Ending June 30,	Tax Anticipation Notes	
	Principal	Interest
2014	1,050,000	29,670
2015	1,070,000	41,159
2016	1,085,000	26,323
2017	1,095,000	11,351
Total	<u>\$ 4,300,000</u>	<u>\$ 108,503</u>

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

NOTE 16 – 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 had unpaid interfund cash advances in the amount of \$164,128, which represents short-term loans made to other funds of the District. These loans are expected to be repaid within one year.

Unpaid interfund cash advances at fiscal year-end are as follows:

<u>Fund Name</u>	<u>Amount</u>
Other Grants	\$ 1,717
Race to the Top	32,113
Title VI-B IDEA	12,282
Title III Limited English Proficiency	783
Title III Limited English Proficiency	116,556
Title I Disadvantaged Children	676
Improving Teacher Quality	1
	<u>\$ 164,128</u>

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association - The School District is a participant in the Licking Area Computer Association (LACA), which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendent from all participating districts. The School District paid \$134,281 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, 2013

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Metropolitan Educational Council - The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each fiscal year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District paid \$1,420 to MEC for membership during fiscal year 2013. 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 2013, 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, 2013

NOTE 18 – 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, 2012	\$ -
Current fiscal year set-aside requirement	595,520
Current fiscal year offsets	(595,520)
Set-aside Reserve Balance as of June 30, 2013	\$ -
Required Set-aside Balances Carried Forward to FY 2014	\$ -

Capital acquisition current year offsets presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District had current year offsets 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.

NOTE 19 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

The School District is party to legal proceedings with Reynoldsburg City School District for taxes received from 2001 to present. On July 23, 2013, a settlement agreement in the amount of \$1,196,855 was ruled in favor of the District for years 2001-2006. The School District and Reynoldsburg City School District need to determine a settlement amount for 2007 to present. To date no determination has been made.

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

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34” improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The implementation of this statement resulted in the reclassification of Net Assets to Net Position.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires the District to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement required a prior period adjustment to remove all unamortized bond issuance costs.

NOTE 21 – SUBSEQUENT EVENTS

On July 15, 2013, the School District financed the purchase of five new buses by entering into a lease purchase agreement in the amount of \$451,979.

On July 23, 2013, a settlement agreement in the amount of \$1,196,855 was ruled in favor of the School District for legal proceedings with the Reynoldsburg City School District. The settlement was for taxes received from 2001-2006. A receivable has been booked in the fiscal year ended June 30, 2013 for this amount.

On September 20, 2013, the School District finalized negotiations with the Licking County Educational Service Center (ESC) regarding amounts owed by the School District for services provided by the ESC in fiscal years 2011 and 2012 and paid the ESC \$269,000.

On October 1, 2013, the School District financed the purchase of new desktop computers, monitors and laptops by entering into a lease purchase agreement in the amount of \$439,236.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR				
<i>Pass Through Grantor</i>	Grant Award	Federal		
Program Title	Year	CFDA	Receipts	Disbursements
Number				
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2013	10.555	\$ 115,741	\$ 115,741
Cash Assistance				
School Breakfast Program	2013	10.553	239,379	239,379
National School Lunch Program	2013	10.555	586,978	586,978
Total Nutrition Cluster			<u>942,098</u>	<u>942,098</u>
Team Nutrition Grants Program				
	2012	10.574	18,777	-
	2013		1,500	1,500
Total Team Nutrition Grants Program			<u>20,277</u>	<u>1,500</u>
Total U.S. Department of Agriculture			<u>962,375</u>	<u>943,598</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies Program	2012	84.010	40,528	29,783
			(3,649)	-
	2013		260,703	318,217
Total Title I Grants to Local Educational Agencies Program			<u>297,582</u>	<u>348,000</u>
Special Education Cluster:				
Special Education_Grants to States Program	2012	84.027	68,483	36,109
			(193)	-
	2013		424,903	428,463
Special Education_Preschool Program	2013	84.173	8,455	9,131
Total Special Education Cluster			<u>501,648</u>	<u>473,703</u>
Education Technology State Grants Program	2012	84.318	1,141	-
English Language Acquisition Grants Program	2012	84.365	10,163	8,445
			(1,719)	-
	2013		56,422	51,005
Total English Language Acquisition Grants Program			<u>64,866</u>	<u>59,450</u>
Improving Teacher Quality State Grants Program	2012	84.367	6,416	6,268
	2013		35,284	35,284
Total Improving Teacher Quality State Grants Program			<u>41,700</u>	<u>41,552</u>
ARRA - Race to the Top Program	2012	84.395	83,887	72,272
	2013		198,448	171,279
Total ARRA - Fiscal Stabilization Program			<u>282,335</u>	<u>243,551</u>
ED Jobs Program	2012	84.410	3,334	-
Total U.S. Department of Education			<u>1,192,606</u>	<u>1,166,256</u>
Totals			<u>\$ 2,154,981</u>	<u>\$ 2,109,854</u>

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2012 to 2013 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred</u>
Title I Grants to Local Educational Agencies Program	84.010	\$3,649
Special Education - Grants to States Program	84.027	193
English Language Acquisition Grants Program	84.365	1,719



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Heights Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 24, 2014, wherein we noted the District changed its accounting basis to accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

April 24, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited Licking Heights Local School District's (the District) compliance with the applicable 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, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

April 24, 2014

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster (CFDA 10.553 and 10.555); and Race to the Top Program (CFDA 84.395)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)

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

FINDING NUMBER 2013-001

Material Weakness

Financial Statement Adjustments

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustments were identified involving the District's financial statement presentation:

- Investments were understated \$2,000,000. The District classified \$2,000,000 as "Cash & Cash Equivalents rather than Investments.
- Accounts and intergovernmental payables were understated \$1,237,184 and \$562,675 at June 30, 2012 and June 30, 2013, respectively. The District did not include these amounts in the calculation of payables.
- Settlement receivable was understated \$1,196,855 at June 30, 2013. The District received settlement agreement in the amount on July 23, 2013 and amount was not included as a receivable.

Presenting inaccurate financial information resulted in the financial statements requiring the above audit adjustment entries, including additional time and effort to identify the variances and discrepancies.

The District's financial statements and, where applicable, the accounting records have been adjusted to accurately reflect these adjustments.

We recommend the District's Treasurer take steps to help ensure accurate presentation of the financial statements. Financial transactions should be posted in accordance with procedures established by generally accepted accounting principles (GAAP). By exercising caution in recording financial activity, the District can help reduce posting errors and increase the reliability of the financial data throughout the year and at year-end.

The Treasurer should review audit adjustments identified above to help ensure that similar errors are not reported in subsequent years. In addition, the District should adopt policies and procedures over financial reporting, including a final review of the financial statements, to help identify and correct errors and omissions.

Officials' Response:

Corrective action has been taken to address these issues.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Prepare financial statements in accordance with GAAP – OAC 117-2-03(B).	Yes	N/A

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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
MAY 27, 2014