



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2015**



**Dave Yost • Auditor of State**



**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Independent Auditor's Report .....  | 1           |
| Management's Discussion and Analysis .....  | 5           |
| <b>Basic Financial Statements:</b>  |             |
| <u>Government-wide Financial Statements:</u>  |             |
| Statement of Net Position .....   | 15          |
| Statement of Activities .....   | 16          |
| <u>Fund Financial Statements:</u>   |             |
| Balance Sheet - Governmental Funds .....  | 17          |
| Reconciliation of Total Governmental Fund Balances to<br>Net Position of Governmental Activities .....  | 18          |
| Statement of Revenues, Expenditures and Changes in Fund Balances -<br>Governmental Funds .....  | 19          |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in<br>Fund Balances of Governmental Funds to the Statement of Activities .....                                  | 20          |
| Statement of Revenues, Expenditures and Changes in Fund Balance -<br>Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....  | 21          |
| Statement of Net Position - Proprietary Fund .....  | 22          |
| Statement of Revenues, Expenses and Changes in Fund Net Position-<br>Proprietary Fund .....   | 23          |
| Statement of Cash Flows- Proprietary Fund .....   | 24          |
| Statement of Fiduciary Assets and Liabilities .....   | 25          |
| Notes to the Basic Financial Statements .....   | 27          |
| <b>Required Supplementary Information:</b>  |             |
| Schedule of School District's Proportionate Share of Net Pension Liability:   |             |
| School Employees Retirement System (SERS) of Ohio .....   | 69          |
| School Teachers Retirement System (STRS) of Ohio .....  | 70          |
| Schedule of School District Contributions:  |             |
| School Employees Retirement System (SERS) of Ohio .....   | 71          |
| School Teachers Retirement System (STRS) of Ohio .....  | 72          |
| Schedule of Federal Awards Receipts and Expenditures .....  | 73          |
| Notes to the Schedule of Federal Awards Receipts and Expenditures .....   | 74          |
| Independent Auditor's Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....               | 75          |
| Independent Auditor's Report on Compliance with Requirements<br>Applicable to Each Major Federal Program and Internal Control Over Compliance<br>Required by OMB Circular A-133 ..... | 77          |
| Schedule of Findings .....  | 79          |

**THIS PAGE INTENTIONALLY LEFT BLANK**



# 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 School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof 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 19 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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*, and schedules of net pension liabilities and pension contributions 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 School 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 relates 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 schedule 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 March 15, 2016 on our consideration of the School 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 School 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

March 15, 2016

**THIS PAGE INTENTIONALLY LEFT BLANK**

## LICKING HEIGHTS LOCAL SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015 (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, 2015. 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 2015 are as follows:

- At fiscal year-end, the School District's Net Position totaled negative \$32.8 million, a \$715,750 increase in comparison with the prior fiscal year.
- General and Program-specific revenues totaled \$40.3 million and \$5.0 million, respectively.
- The School District had \$44.6 million in expenses. As stated above, only \$5.0 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, 2015 (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, deferred outflows of resources, liabilities and deferred inflows of resources 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 and the Debt Service 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, 2015  
(UNAUDITED)**

*Proprietary Fund*

The School District utilizes one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for the management of its health self-insurance activities. Because this service predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

*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 Assets and Liabilities. 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 27 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, liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$32.8 million (negative 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 (\$1.3 million) and permanent improvement (\$2.7 million).

*(This space was intentionally left blank.)*

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**(UNAUDITED)**

An analysis of fiscal year 2015 in comparison with fiscal year 2014 follows for the Statement of Net Position:

|   | 2015                   | Restated<br>2014       | Change  |
|---|------------------------|------------------------|---------|
| Current Assets                          | \$ 38,633,705          | \$ 37,336,329          | 3.47%   |
| Capital Assets                          | 58,781,063             | 60,148,464             | -2.27%  |
| Total Assets                            | <u>97,414,768</u>      | <u>97,484,793</u>      | -0.07%  |
| Deferred Amount on Refunding            | 2,575,528              | 2,815,127              | -8.51%  |
| Pension                                 | 7,198,183              | 7,778,195              | -7.46%  |
| Total Deferred Outflows of Resources    | <u>9,773,711</u>       | <u>10,593,322</u>      | -7.74%  |
| Current Liabilities                     | 4,815,828              | 3,724,588              | 29.30%  |
| Long-term Liabilities:                  |                        |                        |         |
| Due Within One Year                     | 4,009,693              | 3,595,532              | 11.52%  |
| Due in More Than One Year:              |                        |                        |         |
| Net Pension Liability                   | 36,867,530             | 38,436,943             | -4.08%  |
| Other Amounts Due in More Than One Year | 68,632,517             | 71,483,788             | -3.99%  |
| Total Liabilities                       | <u>114,325,568</u>     | <u>117,240,851</u>     | -2.49%  |
| Property Taxes                          | 19,028,668             | 19,015,906             | 0.07%   |
| Pension                                 | 6,667,194              | -                      | 100.00% |
| Total Deferred Inflows of Resources     | <u>25,695,862</u>      | <u>19,015,906</u>      | 35.13%  |
| Net Investment in Capital Assets        | (1,954,659)            | (1,589,815)            | -22.95% |
| Restricted                              | 4,365,204              | 4,707,016              | -7.26%  |
| Unrestricted                            | (35,243,496)           | (36,665,902)           | 3.88%   |
| Total Net Position                      | <u>\$ (32,832,951)</u> | <u>\$ (33,548,701)</u> | -2.13%  |

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

## LICKING HEIGHTS LOCAL SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015 (UNAUDITED)

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$2,480,106 to negative \$33,548,701.

Current liabilities increased significantly in comparison with the prior fiscal year-end. A key component of this increase is the School District's claims payable liability. The School District became self-insured for medical in fiscal year 2015.

Long-term liabilities decreased significantly in comparison with the prior fiscal year. This decrease is the result the debt principal reduction payments and a decrease in the Net Pension Liability.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**  
**(UNAUDITED)**

An analysis of fiscal year 2015 in comparison with fiscal year 2014 follows for the Statement of Activities:

|  | Governmental Activities |                        |                           |
|--|-------------------------|------------------------|---------------------------|
|  | <u>2015</u>             | <u>2014</u>            | <u>Percent<br/>Change</u> |
| <b>Program Revenues</b>  |                         |                        |                           |
| Charges for Services   | \$ 1,438,084            | \$ 1,138,803           | 26.28%                    |
| Operating Grants   | 3,552,504               | 2,923,038              | 21.53%                    |
| <b>General Revenues</b>  |                         |                        |                           |
| Property Taxes   | 23,774,098              | 23,212,231             | 2.42%                     |
| Revenue in Lieu of Taxes                                       | 2,748,866               | 3,598,945              | -23.62%                   |
| Grants and Entitlements not Restricted to<br>Specific Programs | 13,369,491              | 11,053,316             | 20.95%                    |
| Investment Earnings  | 25,917                  | 21,590                 | 20.04%                    |
| Miscellaneous  | 405,106                 | 316,834                | 27.86%                    |
| <b>Total Revenues</b>  | <u>45,314,066</u>       | <u>42,264,757</u>      | 7.21%                     |
| <b>Program Expenses</b>  |                         |                        |                           |
| Instruction  | 25,149,885              | 22,573,022             | 11.42%                    |
| Support Services   | 13,984,508              | 12,721,993             | 9.92%                     |
| Non-Instructional  | 1,510,200               | 1,516,364              | -0.41%                    |
| Extracurricular Activities                                     | 632,709                 | 582,986                | 8.53%                     |
| Interest and Fiscal Charges                                    | 3,321,014               | 3,245,077              | 2.34%                     |
| <b>Total Expenses</b>  | <u>44,598,316</u>       | <u>40,639,442</u>      | 9.74%                     |
| <b>Change in Net Position</b>                                  | <u>715,750</u>          | <u>1,625,315</u>       |                           |
| <b>Net Position at Beginning of Year, Restated</b>             | <u>(33,548,701)</u>     | <u>N/A</u>             |                           |
| <b>Net Position at End of Year</b>                             | <u>\$ (32,832,951)</u>  | <u>\$ (33,548,701)</u> |                           |

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$2,408,136 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,862,484.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

|   |        |                |
|---|--------|----------------|
| Total 2015 program expenses under GASB 68               | \$     | 44,598,316     |
| Pension expense under GASB 68                           |        | (2,862,484)    |
| 2015 contractually required contribution                |        | 2,554,750      |
| Adjusted 2015 program expenses                          |        | 44,290,582     |
| <br>Total 2014 program expenses under GASB 27           |        | <br>40,639,442 |
| <br>Increase in program expenses not related to pension | <br>\$ | <br>3,651,140  |

Total Revenues increased significantly in comparison with the prior fiscal year. This increase is primarily the result of increases in Operating Grants and Unrestricted Grants and Entitlements. The increase in Operating Grants is the result of an increase in State funding through the Straight A Grant Program. The increase in Unrestricted Grants and Entitlements is a result of increase in per pupil foundation funding provided by the State.

Total Expenses also increased significantly. Instructional and Support Services both increased in large part due to the revenue increases noted above.

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 2015 in comparison with fiscal year 2014 follows:

|                            | Total Cost of<br>Services 2015 | Total Cost of<br>Services 2014 | Net Cost of<br>Services 2015 | Net Cost of<br>Services 2014 |
|----------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Program expenses           |                                |                                |                              |                              |
| Instruction                | \$ 25,149,885                  | \$ 22,573,022                  | \$ 22,414,524                | \$ 20,812,471                |
| Support services           | 13,984,508                     | 12,721,993                     | 13,658,734                   | 12,298,296                   |
| Non-Instructional          | 1,510,200                      | 1,516,364                      | (141,021)                    | (35,031)                     |
| Extracurricular Activities | 632,709                        | 582,986                        | 354,477                      | 256,788                      |
| Interest                   | 3,321,014                      | 3,245,077                      | 3,321,014                    | 3,245,077                    |
|                            |                                |                                |                              |                              |
| Total                      | \$ 44,598,316                  | \$ 40,639,442                  | \$ 39,607,728                | \$ 36,577,601                |

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

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

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

*Governmental Funds*

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, unassigned 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 \$10.8 million, an increase of \$349,019 in comparison with the prior fiscal year. The School District had an unassigned fund balance of \$3.0 million. The remaining fund balance is either restricted by external third parties for specific purposes (\$4.5 million) or assigned by the School District for specific purposes (\$3.3 million).

An analysis of fiscal year 2015 in comparison with fiscal year 2014 follows:

|                          | <u>Fund Balance<br/>June 30, 2015</u> | <u>Fund Balance<br/>June 30, 2014</u> | <u>Variance</u>   |
|--------------------------|---------------------------------------|---------------------------------------|-------------------|
| General Fund             | \$ 5,321,094                          | \$ 3,951,493                          | \$ 1,369,601      |
| Debt Service Fund        | 1,443,250                             | 1,304,662                             | 138,588           |
| Other Governmental Funds | 4,074,077                             | 5,233,247                             | (1,159,170)       |
| Total Governmental Funds | <u>\$ 10,838,421</u>                  | <u>\$ 10,489,402</u>                  | <u>\$ 349,019</u> |

*General Fund*

The General Fund is the chief operating fund of the School District. At the end of current fiscal year, fund balance in the School District's general fund totaled \$5.3 million, an increase of \$1.4 million in comparison with the prior fiscal year. This increase is primarily the result of an increase in foundation receipts from increased enrollment.

*Debt Service Fund*

Fund balance in the Debt Service Fund increased \$138,588 during the fiscal year. This increase represents the amount in which current year property tax and related revenues exceeded debt service expenditures.

# LICKING HEIGHTS LOCAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015 (UNAUDITED)

### 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 were insignificant. Actual revenues and other financing sources exceeded the final budgeted amounts by approximately \$1.3 million, primarily due to underestimating property tax receipts, while actual expenditures and other financing uses exceeded final budgeted amounts by \$1.2 million, primarily due to conservative budgeting.

### Capital Assets

At the end of the fiscal year, the School District had \$58.8 million (net of accumulated depreciation) invested in capital assets, a decrease of \$1.4 million in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation (\$1.9 million) exceeded capital acquisitions (\$547,871). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

### Debt

At the end of the fiscal year, the School District had total bonded debt outstanding of \$70.7 million, a decrease of \$2.5 million in comparison with the prior fiscal year. This decrease represents the amount in which current year principal payments (\$4.3 million) exceeded accretion/amortization (\$1.8 million).

Detailed information regarding long-term obligations is included in Notes 14 to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)**

**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 Nick Roberts, 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, 2015

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                               |                            |
| Cash and Cash Equivalents                   | \$ 12,124,843              |
| Receivables:                                |                            |
| Property Taxes                              | 24,111,056                 |
| Revenue in Lieu of Taxes                    | 2,126,233                  |
| Intergovernmental                           | 250,660                    |
| Materials and Supplies Inventory            | 20,913                     |
| Nondepreciable Capital Assets               | 3,418,147                  |
| Depreciable Capital Assets, Net             | 55,362,916                 |
| <b>Total Assets</b>                         | <b>97,414,768</b>          |
| <b>Deferred Outflows of Resources</b>       |                            |
| Unamortized Amount on Refunding             | 2,575,528                  |
| Pension                                     | 7,198,183                  |
| <b>Total Deferred Outflows of Resources</b> | <b>9,773,711</b>           |
| <b>Liabilities</b>                          |                            |
| Accounts Payable                            | 682,162                    |
| Accrued Wages and Benefits Payable          | 2,651,933                  |
| Intergovernmental Payable                   | 574,424                    |
| Accrued Interest Payable                    | 232,387                    |
| Claims Payable                              | 663,500                    |
| Unearned Revenue                            | 11,422                     |
| Long-Term Liabilities                       |                            |
| Due within One Year                         | 4,009,693                  |
| Due in More Than One Year:                  |                            |
| Net Pension Liability                       | 36,867,530                 |
| Other Amounts Due in More Than One Year     | 68,632,517                 |
| <b>Total Liabilities</b>                    | <b>114,325,568</b>         |
| <b>Deferred Inflows of Resources</b>        |                            |
| Property and Other Local Taxes              | 19,028,668                 |
| Pension                                     | 6,667,194                  |
| <b>Total Deferred Inflows of Resources</b>  | <b>25,695,862</b>          |
| <b>Net Position</b>                         |                            |
| Net Investment in Capital Assets            | (1,954,659)                |
| Restricted for:                             |                            |
| Debt Service                                | 1,298,337                  |
| Permanent Improvements                      | 2,666,294                  |
| Building Fund                               | 5,382                      |
| Food Service                                | 274,475                    |
| Special Trust                               | 7,031                      |
| Other Local Grants                          | 1,521                      |
| Extracurricular Activities                  | 62,850                     |
| State and Federal Grants                    | 49,314                     |
| Unrestricted                                | (35,243,496)               |
| <b>Total Net Position</b>                   | <b>\$ (32,832,951)</b>     |

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, 2015

|                                      |                      | Program Revenues        |                                       | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--------------------------------------|----------------------|-------------------------|---------------------------------------|--|
|                                      | Expenses             | Charges for<br>Services | Operating Grants<br>and Contributions | Governmental<br>Activities                                 |
| Governmental Activities              |                      |                         |                                       |  |
| Instruction                          |                      |                         |                                       |  |
| Regular                              | \$ 19,842,661        | \$ 439,078              | \$ 1,666,445                          | \$ (17,737,138)  |
| Special                              | 5,085,115            | 121,818                 | 502,592                               | (4,460,705)  |
| Vocational                           | 117,435              | 2,245                   | -                                     | (115,190)  |
| Other                                | 104,674              | 3,183                   | -                                     | (101,491)  |
| Support Services                     |                      |                         |                                       |  |
| Pupils                               | 2,248,972            | -                       | -                                     | (2,248,972)  |
| Instructional Staff                  | 1,344,100            | -                       | 201,620                               | (1,142,480)  |
| Board of Education                   | 34,978               | -                       | -                                     | (34,978)   |
| Administration                       | 2,214,635            | -                       | 65,154                                | (2,149,481)  |
| Fiscal                               | 923,526              | -                       | -                                     | (923,526)  |
| Operation and Maintenance of Plant   | 3,593,320            | -                       | -                                     | (3,593,320)  |
| Pupil Transportation                 | 2,769,928            | -                       | -                                     | (2,769,928)  |
| Central                              | 855,049              | -                       | 59,000                                | (796,049)  |
| Non-Instructional Services           | 1,510,200            | 620,829                 | 1,030,392                             | 141,021  |
| Extracurricular Activities           | 632,709              | 250,931                 | 27,301                                | (354,477)  |
| Interest and Fiscal Charges          | 3,321,014            | -                       | -                                     | (3,321,014)  |
| <b>Total Governmental Activities</b> | <b>\$ 44,598,316</b> | <b>\$ 1,438,084</b>     | <b>\$ 3,552,504</b>                   | <b>(39,607,728)</b>  |
| General Revenues                     |                      |                         |                                       |  |
| Property Taxes Levied for:           |                      |                         |                                       |  |
|                                      |                      |                         |                                       | 19,439,950   |
|                                      |                      |                         |                                       | 3,436,853  |
|                                      |                      |                         |                                       | 897,295  |
|                                      |                      |                         |                                       | 2,748,866  |
|                                      |                      |                         |                                       | 13,369,491   |
|                                      |                      |                         |                                       | 25,917   |
|                                      |                      |                         |                                       | 405,106  |
|                                      |                      |                         |                                       | 40,323,478   |
|                                      |                      |                         |                                       | 715,750  |
|                                      |                      |                         |                                       | (33,548,701)   |
|                                      |                      |                         |                                       | \$ (32,832,951)  |

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2015**

|   | General<br>Fund      | Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Assets:</b>  |                      |                         |                                |                                |
| Cash and Cash Equivalents   | \$ 5,395,016         | \$ 564,433              | \$ 4,484,901                   | \$ 10,444,350                  |
| Receivables:  |                      |                         |                                |                                |
| Property Taxes  | 19,670,085           | 3,528,582               | 912,389                        | 24,111,056                     |
| Revenue in Lieu of Taxes  | 2,126,233            | -                       | -                              | 2,126,233                      |
| Intergovernmental   | 21,725               | -                       | 228,935                        | 250,660                        |
| Interfund   | 58,232               | -                       | -                              | 58,232                         |
| Materials and Supplies Inventory  | -                    | -                       | 20,913                         | 20,913                         |
| <b>Total Assets</b>   | <b>\$ 27,271,291</b> | <b>\$ 4,093,015</b>     | <b>\$ 5,647,138</b>            | <b>\$ 37,011,444</b>           |
| <b>Liabilities:</b>   |                      |                         |                                |                                |
| Accounts Payable  | \$ 439,697           | \$ -                    | \$ 242,465                     | \$ 682,162                     |
| Accrued Wages and Benefits Payable  | 2,364,348            | -                       | 287,585                        | 2,651,933                      |
| Intergovernmental Payable   | 503,725              | -                       | 70,699                         | 574,424                        |
| Interfund Payable   | -                    | -                       | 58,232                         | 58,232                         |
| Matured Compensated Absences  | 171,912              | -                       | -                              | 171,912                        |
| Unearned Revenue  | -                    | -                       | 11,422                         | 11,422                         |
| Notes Payable   | 2,180,000            | -                       | -                              | 2,180,000                      |
| <b>Total Liabilities</b>  | <b>5,659,682</b>     | <b>-</b>                | <b>670,403</b>                 | <b>6,330,085</b>               |
| <b>Deferred Inflows of Resources:</b>                                     |                      |                         |                                |                                |
| Property and Other Local Taxes  | 15,803,822           | 2,562,291               | 662,555                        | 19,028,668                     |
| Unavailable Revenue   | 486,693              | 87,474                  | 240,103                        | 814,270                        |
| <b>Total Deferred Inflows of Resources</b>                                | <b>16,290,515</b>    | <b>2,649,765</b>        | <b>902,658</b>                 | <b>19,842,938</b>              |
| <b>Fund Balances:</b>   |                      |                         |                                |                                |
| Restricted for:   |                      |                         |                                |                                |
| Debt Service  | -                    | 1,443,250               | -                              | 1,443,250                      |
| Building Fund   | -                    | -                       | 5,382                          | 5,382                          |
| Permanent Improvements  | -                    | -                       | 2,643,704                      | 2,643,704                      |
| Food Service  | -                    | -                       | 274,475                        | 274,475                        |
| Special Trust   | -                    | -                       | 7,031                          | 7,031                          |
| Other Local Grants  | -                    | -                       | 1,521                          | 1,521                          |
| Extracurricular Activities  | -                    | -                       | 62,850                         | 62,850                         |
| State and Federal Grants  | -                    | -                       | 58,782                         | 58,782                         |
| Assigned for:   |                      |                         |                                |                                |
| Public School Support   | 95,169               | -                       | -                              | 95,169                         |
| Future Appropriations   | 1,265,537            | -                       | -                              | 1,265,537                      |
| Instruction   | 564,871              | -                       | -                              | 564,871                        |
| Support Services  | 221,045              | -                       | -                              | 221,045                        |
| Capital Projects  | -                    | -                       | 1,200,513                      | 1,200,513                      |
| Unassigned (Deficit):   | 3,174,472            | -                       | (180,181)                      | 2,994,291                      |
| <b>Total Fund Balances</b>  | <b>5,321,094</b>     | <b>1,443,250</b>        | <b>4,074,077</b>               | <b>10,838,421</b>              |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> | <b>\$ 27,271,291</b> | <b>\$ 4,093,015</b>     | <b>\$ 5,647,138</b>            | <b>\$ 37,011,444</b>           |

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, 2015

**Total Governmental Fund Balances** \$ 10,838,421

*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. 58,781,063

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

|                                     |         |
|-------------------------------------|---------|
| Delinquent Property Tax Receivables | 596,757 |
| Intergovernmental Receivables       | 217,513 |

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 1,016,993

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.

|                             |              |
|-----------------------------|--------------|
| Deferred Outflows - Pension | 7,198,183    |
| Deferred Inflows - Pension  | (6,667,194)  |
| Net Pension Liability       | (36,867,530) |

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          | (64,999,440)        |
| Unamortized Issuance Premiums    | (3,529,926)         |
| Unamortized Losses on Refundings | 2,796,665           |
| Unamortized Gain on Refunding    | (221,137)           |
| Accrued Interest Payable         | (232,387)           |
| Capital Leases Payable           | (555,287)           |
| Compensated Absence Payable      | (1,205,645)         |
| Total                            | <u>(67,947,157)</u> |

**Net Position of Governmental Activities** \$ (32,832,951)

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, 2015

|  | General<br>Fund     | Debt<br>Service<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                     |                         |                                |                                |
| Property Taxes   | \$ 19,479,845       | \$ 3,438,586            | \$ 899,013                     | \$ 23,817,444                  |
| Revenue in Lieu of Taxes                                     | 2,748,866           | -                       | -                              | 2,748,866                      |
| Intergovernmental  | 12,810,178          | 449,549                 | 3,748,125                      | 17,007,852                     |
| Investment Earnings  | 15,626              | -                       | 8,933                          | 24,559                         |
| Tuition and Fees   | 566,324             | -                       | -                              | 566,324                        |
| Rent   | 148,214             | -                       | -                              | 148,214                        |
| Extracurricular Activities                                   | 117,995             | -                       | 122,930                        | 240,925                        |
| Contributions and Donations                                  | 26,454              | -                       | 4,175                          | 30,629                         |
| Customer Sales and Services                                  | -                   | -                       | 609,906                        | 609,906                        |
| Miscellaneous  | 235,935             | -                       | 23,980                         | 259,915                        |
| <b>Total Revenues</b>  | <b>36,149,437</b>   | <b>3,888,135</b>        | <b>5,417,062</b>               | <b>45,454,634</b>              |
| <b>Expenditures:</b>   |                     |                         |                                |                                |
| Instruction:   |                     |                         |                                |                                |
| Regular  | 16,416,046          | -                       | 2,000,308                      | 18,416,354                     |
| Special  | 4,604,237           | -                       | 505,214                        | 5,109,451                      |
| Vocational   | 94,144              | -                       | -                              | 94,144                         |
| Other  | 133,024             | -                       | 500                            | 133,524                        |
| Support services:  |                     |                         |                                |                                |
| Pupils   | 2,210,412           | -                       | -                              | 2,210,412                      |
| Instructional Staff  | 1,064,233           | -                       | 294,883                        | 1,359,116                      |
| Board of Education   | 34,978              | -                       | -                              | 34,978                         |
| Administration   | 2,230,324           | -                       | 64,381                         | 2,294,705                      |
| Fiscal   | 908,293             | 14,710                  | 10,974                         | 933,977                        |
| Operation and Maintenance of Plant                           | 3,286,818           | -                       | 438,528                        | 3,725,346                      |
| Pupil Transportation   | 2,758,636           | -                       | -                              | 2,758,636                      |
| Central  | 515,890             | -                       | 329,681                        | 845,571                        |
| Non-Instructional Services                                   | -                   | -                       | 1,537,857                      | 1,537,857                      |
| Extracurricular Activities                                   | 495,788             | -                       | 114,724                        | 610,512                        |
| Capital Outlay   | -                   | -                       | 523,455                        | 523,455                        |
| Debt service:  |                     |                         |                                |                                |
| Principal Retirement   | -                   | 1,296,205               | 123,888                        | 1,420,093                      |
| Interest and Fiscal Charges                                  | 41,591              | 3,051,704               | 18,767                         | 3,112,062                      |
| <b>Total Expenditures</b>                                    | <b>34,794,414</b>   | <b>4,362,619</b>        | <b>5,963,160</b>               | <b>45,120,193</b>              |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 1,355,023           | (474,484)               | (546,098)                      | 334,441                        |
| <b>Other Financing Sources (Uses):</b>                       |                     |                         |                                |                                |
| Sale of Capital Assets                                       | 14,578              | -                       | -                              | 14,578                         |
| Transfers In   | -                   | 613,072                 | -                              | 613,072                        |
| Transfers Out  | -                   | -                       | (613,072)                      | (613,072)                      |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>14,578</b>       | <b>613,072</b>          | <b>(613,072)</b>               | <b>14,578</b>                  |
| Net Change in Fund Balances                                  | 1,369,601           | 138,588                 | (1,159,170)                    | 349,019                        |
| Fund Balances - Beginning of Year                            | 3,951,493           | 1,304,662               | 5,233,247                      | 10,489,402                     |
| Fund Balances - End of Year                                  | <u>\$ 5,321,094</u> | <u>\$ 1,443,250</u>     | <u>\$ 4,074,077</u>            | <u>\$ 10,838,421</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, 2015

**Net Change in Fund Balances - Total Governmental Funds** \$ 349,019

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

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

|                      |             |
|----------------------|-------------|
| Depreciation Expense | (1,915,272) |
| Capital Outlay       | 547,871     |

|  |           |
|--|-----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (156,504) |
|--|-----------|

|   |           |
|---|-----------|
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | 2,554,750 |
|---|-----------|

|  |             |
|--|-------------|
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | (2,862,484) |
|--|-------------|

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.

|  |           |
|--|-----------|
| Bond Principal Repayments                    | 1,296,205 |
| Capital Appreciation Bond Accretion Payments | 1,153,795 |
| Capital Lease Principal Repayments           | 123,888   |
| Amortization of Bond Issuance Premiums       | 747,332   |
| Amortization of Losses on Refundings         | (256,288) |
| 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                    | (29,764)    |
| Accrued Interest                        | (63,767)    |
| Accretion of Capital Appreciation Bonds | (1,806,713) |

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

1,016,993

**Change in Net Position of Governmental Activities** \$ 715,750

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, 2015

|   | Original<br>Budget  | Final<br>Budget     | Actual              | Variance<br>Over/(Under) |
|---|---------------------|---------------------|---------------------|--------------------------|
| <b>Revenues:</b>                            |                     |                     |                     |                          |
| Property Taxes                              | \$ 18,855,227       | \$ 18,855,227       | \$ 19,567,465       | \$ 712,238               |
| Revenue in Lieu of Taxes                    | 2,265,778           | 2,265,778           | 2,265,626           | (152)                    |
| Intergovernmental                           | 12,670,701          | 12,670,701          | 12,810,178          | 139,477                  |
| Investment Earnings                         | 5,025               | 5,025               | 15,626              | 10,601                   |
| Tuition and Fees                            | 367,247             | 367,247             | 566,324             | 199,077                  |
| Rent  | 76,500              | 76,500              | 148,214             | 71,714                   |
| Extracurricular Activities                  | -                   | -                   | 3,025               | 3,025                    |
| Contributions and Donations                 | 12,000              | 12,000              | 4                   | (11,996)                 |
| Miscellaneous                               | 314,922             | 314,922             | 227,001             | (87,921)                 |
| <b>Total Revenues</b>                       | <b>34,567,400</b>   | <b>34,567,400</b>   | <b>35,603,463</b>   | <b>1,036,063</b>         |
| <b>Expenditures:</b>                        |                     |                     |                     |                          |
| <b>Instruction:</b>                         |                     |                     |                     |                          |
| Regular                                     | 16,105,912          | 16,126,737          | 17,100,890          | (974,153)                |
| Special                                     | 3,993,830           | 3,995,687           | 4,553,050           | (557,363)                |
| Vocational                                  | 150,254             | 150,254             | 103,365             | 46,889                   |
| Other                                       | 177,665             | 177,665             | 104,107             | 73,558                   |
| <b>Support services:</b>                    |                     |                     |                     |                          |
| Pupils                                      | 1,749,089           | 1,744,484           | 2,263,626           | (519,142)                |
| Instructional Staff                         | 968,315             | 963,791             | 1,018,845           | (55,054)                 |
| Board of Education                          | 58,546              | 58,546              | 43,904              | 14,642                   |
| Administration                              | 2,706,213           | 2,677,734           | 2,254,906           | 422,828                  |
| Fiscal                                      | 1,044,370           | 1,056,256           | 912,259             | 143,997                  |
| Operation and Maintenance of Plant          | 3,304,646           | 3,320,523           | 3,258,778           | 61,745                   |
| Pupil Transportation                        | 2,587,136           | 2,590,371           | 2,723,052           | (132,681)                |
| Central                                     | 507,490             | 508,728             | 521,790             | (13,062)                 |
| Extracurricular Activities                  | 345,980             | 385,980             | 355,302             | 30,678                   |
| <b>Debt service:</b>                        |                     |                     |                     |                          |
| Principal Retirement                        | 1,070,000           | 1,070,000           | 1,070,000           | -                        |
| Interest and Fiscal Charges                 | 47,359              | 47,359              | 41,591              | 5,768                    |
| <b>Total Expenditures</b>                   | <b>34,816,805</b>   | <b>34,874,115</b>   | <b>36,325,465</b>   | <b>(1,451,350)</b>       |
| <b>Excess of Expenditures Over Revenues</b> | <b>(249,405)</b>    | <b>(306,715)</b>    | <b>(722,002)</b>    | <b>(415,287)</b>         |
| <b>Other Financing Sources (Uses):</b>      |                     |                     |                     |                          |
| Sale of Capital Assets                      | 99,000              | 99,000              | 14,578              | (84,422)                 |
| Contingencies                               | (98,911)            | (94,411)            | -                   | 94,411                   |
| Advances In                                 | -                   | -                   | 373,815             | 373,815                  |
| Advances Out                                | (175,000)           | (175,000)           | (58,232)            | 116,768                  |
| <b>Total Other Financing Sources (Uses)</b> | <b>(174,911)</b>    | <b>(170,411)</b>    | <b>330,161</b>      | <b>500,572</b>           |
| <b>Net Change in Fund Balance</b>           | <b>(424,316)</b>    | <b>(477,126)</b>    | <b>(391,841)</b>    | <b>85,285</b>            |
| Fund Balances at Beginning of Year          | 4,625,667           | 4,625,667           | 4,625,667           | -                        |
| Prior Year Encumbrances Appropriated        | 195,777             | 195,777             | 195,777             | -                        |
| <b>Fund Balances at End of Year</b>         | <b>\$ 4,397,128</b> | <b>\$ 4,344,318</b> | <b>\$ 4,429,603</b> | <b>\$ 85,285</b>         |

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
AS OF JUNE 30, 2015

|                           | Governmental<br>Activities -<br>Internal Service<br>Fund |
|---------------------------|--|
| <b>Assets:</b>            |  |
| Cash and Cash Equivalents | \$ 1,680,493   |
| Total Assets              | <u>1,680,493</u>   |
| <b>Liabilities:</b>       |  |
| Claims Payable            | 663,500  |
| Unearned Revenue          | 466,128  |
| Total Liabilities         | <u>1,129,628</u>   |
| <b>Net Position:</b>      |  |
| Unrestricted              | 550,865  |
| Total Net Position        | <u>\$ 550,865</u>  |

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|                                | Governmental<br>Activities -<br>Internal Service<br>Fund |
|--------------------------------|--|
| <b>Operating Revenues:</b>     |  |
| Charges for Services           | \$ 2,754,722   |
| Total Operating Revenues       | 2,754,722  |
| <b>Operating Expenses:</b>     |  |
| Purchased Services             | 228,825  |
| Claims                         | 1,976,390  |
| Total Operating Expenses       | 2,205,215  |
| Operating Income               | 549,507  |
| <b>Non-Operating Revenues:</b> |  |
| Interest Revenue               | 1,358  |
| Total Non-Operating Revenues   | 1,358  |
| Change in Net Position         | 550,865  |
| Net Position Beginning of Year | -  |
| Net Position End of Year       | \$ 550,865   |

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

|   | <u>Governmental<br/>Activities -<br/>Internal Service<br/>Fund</u> |
|---|--|
| Cash flows from operating activities:   |  |
| Cash received from charges for services   | \$ 3,220,850   |
| Cash payments for purchased services  | (228,825)  |
| Cash payments for claims  | (1,312,890)  |
| <b>Net cash provided by operating activities</b>  | <u>1,679,135</u>   |
| Cash flows from investing activities:   |  |
| Cash received from interest   | 1,358  |
| <b>Net cash provided by investing activities</b>  | <u>1,358</u>   |
| <b>Net increase in cash and cash equivalents</b>  | 1,680,493  |
| Cash and cash equivalents at beginning of year  | -  |
| Cash and cash equivalents at end of year  | <u>\$ 1,680,493</u>  |
| Reconciliation of operating income to net cash provided by operating activities:        |  |
| Operating income  | \$ 549,507   |
| Adjustments to reconcile operating income to net cash provided by operating activities: |  |
| Changes in assets and liabilities:  |  |
| Claims payable  | 663,500  |
| Unearned revenue  | 466,128  |
| <b>Net cash provided by operating activities</b>  | <u>\$ 1,679,135</u>  |

See accompanying notes to the basic financial statements.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
AS OF JUNE 30, 2015

|                           | Student Managed<br><u>Activities</u> |
|---------------------------|--------------------------------------|
| <b>Assets</b>             |                                      |
| Cash and Cash Equivalents | \$ 98,848                            |
| Total Assets              | <u>98,848</u>                        |
| <b>Liabilities</b>        |                                      |
| Accounts Payable          | 3,967                                |
| Due to Students           | 94,881                               |
| Total Liabilities         | <u>\$ 98,848</u>                     |

See accompanying notes to the basic financial statements.

**-This page was intentionally left blank-**

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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, Jersey Township, St. Albans Township and Etna Township 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 183 classified employees and 245 certificated teaching personnel who provide services to 3,835 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 Technology Association, the School Study Council of Ohio, and State Support Team. These organizations are presented in Note 16 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, 2015

**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.

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 three categories: governmental, proprietary and fiduciary.

Governmental Funds

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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.

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

Proprietary Funds

*Internal Service Fund* – The Internal Service Fund accounts for money received from other funds as payment for providing medical insurance. Payments are made to a third party administrator for claims payments, claims administration and stop-loss coverage.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund are charges for sales and services. Operating expenses for internal service fund includes the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, 2015**

**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 unavailable 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 property taxes, revenue in lieu of taxes, grants, entitlements, and donations. 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, 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. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refundings and for pensions. 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. The deferred outflows of resources related to pension are explained in Note 10.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**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, revenue in lieu of taxes, unavailable revenue and pensions. Property taxes and revenue in lieu of taxes both represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. Deferred inflows of resources related to pensions are reported on the government-wide statement of net position (See Note 10).

*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, 2015**

**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 2015, 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, 2015.

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 and Other Governmental Funds during fiscal year 2015 amounted to \$15,626 and \$8,933, respectively. The portion of interest revenue credited to the General Fund that was earned on cash balances within other funds was insignificant.

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 expensed/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, 2015**

**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, 2015**

**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.

**M. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**N. 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 may be used:

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

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

Committed – Fund balance is reported as committed when there are resources constrained for specific purposes that are internally imposed by formal action (resolution) of the government at the highest level of decision making authority, Board of Education.

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.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. 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.

**P. 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.

**Q. Estimates**

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

**R. 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.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3 – ACCOUNTABILITY**

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

| <u>Fund Name</u>                      | <u>Amount</u> |
|---------------------------------------|---------------|
| Straight A Grant                      | \$ (102,690)  |
| Title I Disadvantaged Children        | (23,785)      |
| Improving Teacher Quality             | (2,087)       |
| Title III Limited English Proficiency | (19,519)      |
| Race to the Top                       | (32,100)      |

The fund deficits listed above resulted from the application of accounting principles generally accepted in the United States of America.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$1,240,171 for the year ended June 30, 2015.

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as 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 School District's Public School Support Fund, no longer meets the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, this fund is presented as part of the School District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the general fund, without modification for the funds no longer meeting the special revenue criteria.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)**

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

**Net Change in Fund Balance**

|                            |           |                  |
|----------------------------|-----------|------------------|
| GAAP Basis                 | \$        | 1,369,601        |
| Adjustments:               |           |                  |
| Public School Support Fund |           | (13,561)         |
| Revenue Accruals           |           | (395,620)        |
| Expenditure Accruals       |           | (819,658)        |
| Advances, Net              |           | 315,583          |
| Encumbrances               |           | (848,186)        |
| Budget Basis               | <u>\$</u> | <u>(391,841)</u> |

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 5 – DEPOSITS AND INVESTMENTS (continued)**

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.

*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 \$10,445,053, and the bank balance was \$11,004,997. The School District's entire bank balance 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.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 5 – DEPOSITS AND INVESTMENTS (continued)**

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

| Investment Type    | Fair Value          | Percent<br>of Total | <u>Investment Maturities</u><br>Within<br>1 Year |
|--------------------|---------------------|---------------------|--|
| STAR Ohio          | \$ 8,396            | 0.47%               | \$ 8,396   |
| Money Market Funds | 1,766,239           | 99.53%              | 1,766,239  |
| Total              | <u>\$ 1,774,635</u> | <u>100%</u>         | <u>\$ 1,774,635</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 he 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. The School District’s money market fund was not rated.

*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.

**NOTE 6 – PROPERTY TAXES**

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 6 – PROPERTY TAXES (continued)**

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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 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 2015 (other than public utility property tax) represents the collection of calendar year 2015 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 2015 were levied after October 1, 2014, on the value as of December 31, 2014. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Licking and Franklin Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2015, are available to finance fiscal year 2015 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 2015 taxes were collected are:

|  | <u>2014 Second Half Collections</u> |                | <u>2015 First Half Collections</u> |                |
|--|-------------------------------------|----------------|------------------------------------|----------------|
|  | <u>Amount</u>                       | <u>Percent</u> | <u>Amount</u>                      | <u>Percent</u> |
| Real Estate                                | \$ 492,732,570                      | 98.10%         | \$ 494,650,821                     | 98.09%         |
| Public Utility Personal                    | 9,540,140                           | 1.90%          | 9,617,130                          | 1.91%          |
| Total                                      | <u>\$ 502,272,710</u>               | <u>100.00%</u> | <u>\$ 504,267,951</u>              | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 60.54                            |                | \$ 59.84                           |                |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 7 – RECEIVABLES**

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

A summary of the principal items of intergovernmental receivables follows:

| <u>Description</u>                  | <u>Amount</u>     |
|-------------------------------------|-------------------|
| Pension Overpayment                 | \$ 21,725         |
| Straight A Grant                    | 160,031           |
| Title VI-B IDEA                     | 11,422            |
| Limited English Proficiency         | 20,844            |
| Title I Disadvantaged Children      | 36,638            |
| Total Intergovernmental Receivables | <u>\$ 250,660</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 Columbus 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, 2015

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the fiscal year was as follows:

|  | Beginning<br>Balance | Additions             | Deductions  | Ending<br>Balance    |
|--|----------------------|-----------------------|-------------|----------------------|
| <b>Nondepreciable Capital Assets</b>                                   |                      |                       |             |                      |
| Land   | \$ 3,418,147         | \$ -                  | \$ -        | \$ 3,418,147         |
| <b>Total Nondepreciable Assets</b>                                     | <u>3,418,147</u>     | <u>-</u>              | <u>-</u>    | <u>3,418,147</u>     |
| <b>Depreciable Capital Assets</b>                                      |                      |                       |             |                      |
| Land Improvements  | 919,074              | 148,600               | -           | 1,067,674            |
| Buildings and Improvements   | 72,214,274           | 263,000               | -           | 72,477,274           |
| Furniture, Fixtures and Equipment                                      | 1,875,713            | 7,962                 | -           | 1,883,675            |
| Vehicles   | 4,187,960            | 128,309               | -           | 4,316,269            |
| <b>Total Depreciable Assets</b>  | <u>79,197,021</u>    | <u>547,871</u>        | <u>-</u>    | <u>79,744,892</u>    |
| <b>Less accumulated depreciation</b>                                   |                      |                       |             |                      |
| Land Improvements  | (355,917)            | (81,365)              | -           | (437,282)            |
| Buildings and Improvements   | (17,745,048)         | (1,565,488)           | -           | (19,310,536)         |
| Furniture, Fixtures and Equipment                                      | (1,372,147)          | (104,010)             | -           | (1,476,157)          |
| Vehicles   | (2,993,592)          | (164,409)             | -           | (3,158,001)          |
| <b>Total accumulated depreciation</b>                                  | <u>(22,466,704)</u>  | <u>(1,915,272)</u>    | <u>-</u>    | <u>(24,381,976)</u>  |
| <b>Depreciable Capital Assets, Net<br/>of accumulated depreciation</b> | <u>56,730,317</u>    | <u>(1,367,401)</u>    | <u>-</u>    | <u>55,362,916</u>    |
| <b>Total Capital Assets, Net</b>                                       | <u>\$ 60,148,464</u> | <u>\$ (1,367,401)</u> | <u>\$ -</u> | <u>\$ 58,781,063</u> |
| <br>   |                      |                       |             |                      |
| Instruction Regular  | \$ 1,561,001         |                       |             |                      |
| Instructional Staff  | 33,326               |                       |             |                      |
| Administration   | 7,732                |                       |             |                      |
| Operations and Maintenance   | 84,042               |                       |             |                      |
| Pupil Transportation   | 183,858              |                       |             |                      |
| Central  | 3,401                |                       |             |                      |
| Food Services  | 24,043               |                       |             |                      |
| Extracurricular Activities   | 17,869               |                       |             |                      |
| <b>Total Depreciation Expense</b>                                      | <u>\$ 1,915,272</u>  |                       |             |                      |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9 – RISK MANAGEMENT**

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

|   |              |
|---|--------------|
| Building and Contents replacement cost (\$1,000 deductible)           | \$81,495,691 |
| 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)                              | \$100,000    |
| 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. Employee Medical Insurance** - The School District maintains an internal service “self-insurance” health insurance fund in connection with formalized risk management programs in an effort to minimize risk exposure and control claims and premium costs. The School District, effective January 1, 2015, contracted with Medical Mutual to be the third party administrator for the health insurance program.

A claims liability of \$663,500 at fiscal year-end in the self-insurance internal service fund reflects an estimate of incurred but unpaid claims liability. This liability was estimated by a third party based on claims experience. The School District has purchased stop loss coverage for individual employee claim amounts exceeding \$125,000. Unpaid claims at year-end are recorded as current claims payable because they would be due within 60 days from the end of the fiscal year.

A summary of the changes in the self-insurance claims liability for fiscal year 2015 is as follows:

|                             |                   |
|-----------------------------|-------------------|
| Claims Liability at July 1  | \$ -              |
| Incurred Claims             | 1,976,390         |
| Claims Paid                 | (1,312,890)       |
| Claims Liability at June 30 | <u>\$ 663,500</u> |

**C. 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 Comp Management to provide third party administration services and Hunter Consulting 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, 2015

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

*Plan Description - School Employees Retirement System (SERS)*

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)**

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                          | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|---|--|
| Full Benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$563,273 for fiscal year 2015. Of this amount \$65,414 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)**

The School District’s contractually required contribution to STRS was \$1,991,477 for fiscal year 2015. Of this amount, \$274,770 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|  | <u>SERS</u> | <u>STRS</u>  | <u>Total</u> |
|--|-------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$6,759,143 | \$30,108,387 | \$36,867,530 |
| Proportion of the Net Pension Liability          | 0.133555%   | 0.12378332%  |              |
| Pension Expense                                  | \$397,492   | \$2,464,992  | \$2,862,484  |

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>SERS</u>        | <u>STRS</u>        | <u>Total</u>       |
|--|--------------------|--------------------|--------------------|
| <b>Deferred Outflows of Resources</b>  |                    |                    |                    |
| Differences between expected and actual experience                               | \$57,527           | \$289,859          | \$347,386          |
| Changes in proportionate share   | -                  | 4,296,047          | 4,296,047          |
| District contributions subsequent to the measurement date                        | <u>563,273</u>     | <u>1,991,477</u>   | <u>2,554,750</u>   |
| Total Deferred Outflows of Resources   | <u>\$620,800</u>   | <u>\$6,577,383</u> | <u>\$7,198,183</u> |
| <b>Deferred Inflows of Resources</b>   |                    |                    |                    |
| Net difference between projected and actual earnings on pension plan investments | <u>\$1,097,028</u> | <u>\$5,570,166</u> | <u>\$6,667,194</u> |
| Total Deferred Inflows of Resources  | <u>\$1,097,028</u> | <u>\$5,570,166</u> | <u>\$6,667,194</u> |

\$2,554,750 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                             | <u>SERS</u>          | <u>STRS</u>        | <u>Total</u>         |
|-----------------------------|----------------------|--------------------|----------------------|
| Fiscal Year Ending June 30: |                      |                    |                      |
| 2016                        | (\$259,730)          | (\$246,065)        | (\$505,795)          |
| 2017                        | (259,730)            | (246,065)          | (505,795)            |
| 2018                        | (259,730)            | (246,065)          | (505,795)            |
| 2019                        | <u>(260,311)</u>     | <u>(246,065)</u>   | <u>(506,376)</u>     |
| Total                       | <u>(\$1,039,501)</u> | <u>(\$984,260)</u> | <u>(\$2,023,761)</u> |

***Actuarial Assumptions - SERS***

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

|  |  |
|--|--|
| Wage Inflation                               | 3.25 percent   |
| Future Salary Increases, including inflation | 4.00 percent to 22 percent                                   |
| COLA or Ad Hoc COLA                          | 3 percent  |
| Investment Rate of Return                    | 7.75 percent net of investments expense, including inflation |
| Actuarial Cost Method                        | Entry Age Normal   |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)**

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash                   | 1.00 %                       | 0.00 %  |
| US Stocks              | 22.50                        | 5.00  |
| Non-US Stocks          | 22.50                        | 5.50  |
| Fixed Income           | 19.00                        | 1.50  |
| Private Equity         | 10.00                        | 10.00   |
| Real Assets            | 10.00                        | 5.00  |
| Multi-Asset Strategies | 15.00                        | 7.50  |
| <br>Total              | <br><u>100.00 %</u>          |   |

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)**

|   | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net pension liability | \$9,643,288            | \$6,759,143                         | \$4,333,327            |

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                      |  |
|--------------------------------------|--|
| Inflation                            | 2.75 percent   |
| Projected salary increases           | 2.75 percent at age 70 to 12.25 percent at age 20  |
| Investment Rate of Return            | 7.75 percent, net of investment expenses   |
| Cost-of-Living Adjustments<br>(COLA) | 2 percent simple applied as follows: for members retiring before<br>August 1, 2013, 2 percent per year; for members retiring August 1, 2013,<br>or later, 2 percent COLA paid on fifth anniversary of retirement date. |

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class          | Target<br>Allocation | Long-Term Expected<br>Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity      | 31.00 %              | 8.00 %                                    |
| International Equity | 26.00                | 7.85                                      |
| Alternatives         | 14.00                | 8.00                                      |
| Fixed Income         | 18.00                | 3.75                                      |
| Real Estate          | 10.00                | 6.75                                      |
| Liquidity Reserves   | 1.00                 | 3.00                                      |
| Total                | 100.00 %             |   |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

|   | 1% Decrease<br>(6.75%) | Current<br>Discount Rate<br>(7.75%) | 1% Increase<br>(8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share<br>of the net pension liability | \$43,103,439           | \$30,108,387                        | \$19,118,947           |

**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, 2015 three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 11 – POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code 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 Ohio Revised Code provides the statutory authority to fund SERS’ postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

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 pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is .82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute 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 2015, the minimum compensation level was established at \$20,450. 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 for the years ended June 30, 2015, 2014, and 2013 were \$102,360, \$72,078, and \$72,605, respectively. 32 percent has been contributed for fiscal year 2015 and 100 percent for fiscal years 2014 and 2013.

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 plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (continued)**

**B. State Teachers Retirement System**

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013. Effective July 1, 2014, 0% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law.

The School District's required contributions for health care for the years ended June 30, 2015, 2014, and 2013 were \$0, \$132,288, and \$122,125, respectively. The entire amount has been contributed for each fiscal year.

**NOTE 12 – EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 12 – EMPLOYEE BENEFITS (continued)**

**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. Vision insurance is offered by the School District, but the employees pay the total premium.

**C. Deferred Compensation**

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

**NOTE 13 – LEASES – LESSEE DISCLOSURE**

The School District has entered into capitalized leases for 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 buses and computers acquired by the leases were initially capitalized in the amounts of \$871,823 and \$30,525, 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 \$113,716 and \$10,172 were paid from the Permanent Improvement Fund. At fiscal year-end the buses have accumulated depreciation of \$208,621 for a net book value of \$663,202. 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             |
|-------------|-------------------|------------------|-------------------|
| 2016        | 116,895           | 15,253           | 132,148           |
| 2017        | 120,167           | 11,981           | 132,148           |
| 2018        | 123,533           | 8,615            | 132,148           |
| 2019        | 126,994           | 5,154            | 132,148           |
| 2020        | 67,698            | 1,594            | 69,292            |
| Total       | <u>\$ 555,287</u> | <u>\$ 42,597</u> | <u>\$ 597,884</u> |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2015 were as follows:

| General Obligation Bonds:  | Amounts<br>Outstanding<br>6/30/14 | Additions | Deductions | Amounts<br>Outstanding<br>6/30/15 | Amounts Due<br>Within One<br>Year |
|--|-----------------------------------|-----------|------------|-----------------------------------|-----------------------------------|
| 2000 School Improvement Bonds- 6.4%  | \$ 885,000                        | \$ -      | \$ (5,000) | \$ 880,000                        | 5,000                             |
| 2001 School Improvement Bonds- 4.55% to 6.0%   |                                   |           |            |                                   |                                   |
| Capital Appreciation Bonds (CABS)  | 56,905                            | -         | (16,205)   | 40,700                            | 15,525                            |
| Accretion on CABS  | 1,500,715                         | 360,918   | (483,795)  | 1,377,838                         | 525,559                           |
| 2004 School Improvement Bonds-<br>Capital Appreciation Bonds (CABS)-<br>4.15% to 4.75% | 25,000                            | -         | (15,000)   | 10,000                            | 10,000                            |
| Accretion on CABS  | 1,016,396                         | 332,992   | (670,000)  | 679,388                           | 679,388                           |
| 2005 School Construction Current<br>Refunding Bonds                                    |                                   |           |            |                                   |                                   |
| Serial Bonds - 3.5% to 4.0%  | 355,000                           | -         | (295,000)  | 60,000                            | 60,000                            |
| Unamortized Premium  | 43,929                            | -         | (21,964)   | 21,965                            | -                                 |
| 2005 School Bus Bonds  |                                   |           |            |                                   |                                   |
| Serial Bonds - 3.5% to 4.0%  | 205,000                           | -         | (100,000)  | 105,000                           | 105,000                           |
| Unamortized Premium  | 3,678                             | -         | (1,838)    | 1,840                             | -                                 |
| 2005 School Improvement Advance<br>Refunding Bonds                                     |                                   |           |            |                                   |                                   |
| Serial Bonds- 3.5% to 5.0%   | 165,000                           | -         | (80,000)   | 85,000                            | 85,000                            |
| Capital Appreciation Bonds (CABS)-<br>4.17% to 4.4%                                    | 174,994                           | -         | -          | 174,994                           | -                                 |
| Accretion on CABS  | 490,563                           | 106,498   | -          | 597,061                           | -                                 |
| Unamortized Premium  | 339,731                           | -         | (67,947)   | 271,784                           | -                                 |
| 2006 Advance Refunding Bonds- 4.0%   |                                   |           |            |                                   |                                   |
| Serial Bonds   | 3,230,000                         | -         | (100,000)  | 3,130,000                         | -                                 |
| Term Bonds   | 5,350,000                         | -         | -          | 5,350,000                         | -                                 |
| Capital Appreciation Bonds (CABS)  | 29,993                            | -         | -          | 29,993                            | 3,478                             |
| Accretion on CABS  | 482,290                           | 235,287   | -          | 717,577                           | 83,548                            |
| Unamortized Premium  | 471,448                           | -         | (44,900)   | 426,548                           | -                                 |
| 2007 Advance Refunding Bonds   |                                   |           |            |                                   |                                   |
| Serial Bonds- 4.0% to 4.3%   | 7,310,000                         | -         | -          | 7,310,000                         | -                                 |
| Term Bonds- 4.0% to 4.1%   | 1,685,000                         | -         | (70,000)   | 1,615,000                         | 70,000                            |
| Capital Appreciation Bonds (CABS)  | 49,998                            | -         | -          | 49,998                            | -                                 |
| Accretion on CABS  | 216,160                           | 76,902    | -          | 293,062                           | -                                 |
| Unamortized Premium  | 377,660                           | -         | (26,503)   | 351,157                           | -                                 |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 14 – LONG-TERM OBLIGATIONS (continued)**

| General Obligation Bonds:                  | Amounts<br>Outstanding<br>6/30/14 | Additions           | Deductions            | Amounts<br>Outstanding<br>6/30/15 | Amounts Due<br>Within One<br>Year |
|--|-----------------------------------|---------------------|-----------------------|-----------------------------------|-----------------------------------|
| 2010A Certificates of Participation        |                                   |                     |                       |                                   |                                   |
| Serial Bonds                               | 1,505,000                         | -                   | (365,000)             | 1,140,000                         | 370,000                           |
| Unamortized Premium                        | 19,223                            | -                   | (5,492)               | 13,731                            | -                                 |
| 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                               | 7,190,000                         | -                   | -                     | 7,190,000                         | 50,000                            |
| Capital Appreciation Bonds (CABS)          | 425,000                           | -                   | -                     | 425,000                           | -                                 |
| Accretion on CABS                          | 432,361                           | 188,445             | -                     | 620,806                           | -                                 |
| Unamortized Premium - CABS                 | 522,359                           | -                   | (149,246)             | 373,113                           | -                                 |
| Unamortized Premium - Serial Bonds         | 117,067                           | -                   | (15,609)              | 101,458                           | -                                 |
| 2012 Advance Refunding Bonds               |                                   |                     |                       |                                   |                                   |
| Serial Bonds                               | 7,915,000                         | -                   | -                     | 7,915,000                         | 250,000                           |
| Capital Appreciation Bonds (CABS)          | 327,212                           | -                   | -                     | 327,212                           | -                                 |
| Accretion on CABS                          | 643,749                           | 262,017             | -                     | 905,766                           | -                                 |
| Unamortized Premium - CABS                 | 873,535                           | -                   | (227,867)             | 645,668                           | -                                 |
| Unamortized Premium - Serial Bonds         | 40,955                            | -                   | (2,214)               | 38,741                            | -                                 |
| 2013 Advance Refunding Bonds               |                                   |                     |                       |                                   |                                   |
| Serial Bonds                               | 15,090,000                        | -                   | (250,000)             | 14,840,000                        | 250,000                           |
| Capital Appreciation Bonds (CABS)          | 529,980                           | -                   | -                     | 529,980                           | -                                 |
| Accretion on CABS                          | 336,412                           | 243,654             | -                     | 580,066                           | -                                 |
| Unamortized Premium - CABS                 | 1,467,672                         | -                   | (183,752)             | 1,283,920                         | -                                 |
| General Obligation Bonds Payable           | <u>69,919,985</u>                 | <u>1,806,713</u>    | <u>(3,197,332)</u>    | <u>68,529,366</u>                 | <u>2,562,498</u>                  |
| Net Pension Liability:                     |                                   |                     |                       |                                   |                                   |
| SERS                                       | 7,942,088                         | -                   | (1,182,945)           | 6,759,143                         | -                                 |
| STRS                                       | 30,494,855                        | -                   | (386,468)             | 30,108,387                        | -                                 |
| Total Net Pension Liability                | <u>38,436,943</u>                 | <u>-</u>            | <u>(1,569,413)</u>    | <u>36,867,530</u>                 | <u>-</u>                          |
| 2013 Tax Anticipation Notes                | 3,250,000                         | -                   | (1,070,000)           | 2,180,000                         | 1,085,000                         |
| Capital Leases                             | 679,175                           | -                   | (123,888)             | 555,287                           | 116,895                           |
| Compensated Absences                       | 1,230,160                         | 312,799             | (165,402)             | 1,377,557                         | 245,300                           |
| Total Long-Term Obligations                | <u>\$ 113,516,263</u>             | <u>\$ 2,119,512</u> | <u>\$ (6,126,035)</u> | <u>\$ 109,509,740</u>             | <u>\$ 4,009,693</u>               |

*2000 School Improvement Bonds*

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 – LONG-TERM OBLIGATIONS (continued)**

*2001 School Improvement Bonds*

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

The capital appreciation bonds were issued for \$74,032. The capital appreciation bonds will mature in fiscal years 2016 through 2018 as follows:

| <u>Fiscal Year</u> | <u>Maturity Amount</u> |
|--------------------|------------------------|
| 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 year 2016 as follows:

| <u>Fiscal Year</u> | <u>Maturity Amount</u> |
|--------------------|------------------------|
| 2016               | 835,000                |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 – 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              |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 – 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:

| <u>Fiscal Year</u> | <u>Principal<br/>Amount to be<br/>Redeemed</u> |
|--------------------|--|
| 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:

| <u>Fiscal Year</u> | <u>Principal<br/>Amount to be<br/>Redeemed</u> |
|--------------------|--|
| 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:

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 – 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<br>Amount to be<br>Redeemed |
|-------------|---------------------------------------|
| 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<br>Amount to be<br>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.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 – LONG-TERM OBLIGATIONS (continued)**

*2011 Certificates of Participation*

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

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

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

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

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

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

| Fiscal Year | Principal           | Interest            | Total                |
|-------------|---------------------|---------------------|----------------------|
| 2016        | \$ 370,000          | \$ 220,857          | \$ 590,857           |
| 2017        | 380,000             | 211,713             | 591,713              |
| 2018        | 390,000             | 201,600             | 591,600              |
| 2019        | -                   | 196,238             | 196,238              |
| 2020        | -                   | 196,238             | 196,238              |
| 2021-2025   | -                   | 981,190             | 981,190              |
| 2026-2030   | 4,890,000           | 856,870             | 5,746,870            |
| 2031-2035   | 2,555,000           | 381,436             | 2,936,436            |
| 2036        | 575,000             | 11,586              | 586,586              |
| Total       | <u>\$ 9,160,000</u> | <u>\$ 3,257,728</u> | <u>\$ 12,417,728</u> |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 14 – 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 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 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 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.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14 – LONG-TERM OBLIGATIONS (continued)**

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:

| <u>Fiscal Year</u> | <u>Maturity Amount</u> |
|--------------------|------------------------|
| 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, 2015, are as follows:

| Fiscal Year<br>Ending June 30, | General Obligation Bonds |                      |                     |                     |                            |                     |
|--------------------------------|--------------------------|----------------------|---------------------|---------------------|----------------------------|---------------------|
|                                | Serial Bonds             |                      | Term Bonds          |                     | Capital Appreciation Bonds |                     |
|                                | Principal                | Interest             | Principal           | Interest            | Principal                  | Interest            |
| 2016                           | 805,000                  | 2,247,230            | 70,000              | 277,115             | 1,317,498                  | 232,502             |
| 2017                           | 460,000                  | 1,295,174            | 75,000              | 274,115             | 1,583,399                  | 841,601             |
| 2018                           | 260,000                  | 1,290,113            | 125,000             | 270,115             | 1,836,308                  | 983,692             |
| 2019                           | 1,895,000                | 1,270,113            | 135,000             | 264,815             | 1,507,586                  | 1,402,414           |
| 2020                           | 980,000                  | 1,230,142            | 55,000              | 262,615             | 1,114,650                  | 1,850,350           |
| 2021-2025                      | 17,475,000               | 4,737,341            | 5,465,000           | 1,006,165           | -                          | -                   |
| 2026-2030                      | 17,630,000               | 1,798,355            | 1,040,000           | 21,320              | -                          | -                   |
| 2031-2035                      | 2,010,000                | 93,063               | -                   | -                   | -                          | -                   |
| 2036                           | -                        | -                    | -                   | -                   | -                          | -                   |
| Total                          | <u>\$ 41,515,000</u>     | <u>\$ 13,961,531</u> | <u>\$ 6,965,000</u> | <u>\$ 2,376,260</u> | <u>\$ 7,359,441</u>        | <u>\$ 5,310,559</u> |

| Fiscal Year<br>Ending June 30, | Tax Anticipation Notes |                  |
|--------------------------------|------------------------|------------------|
|                                | Principal              | Interest         |
| 2016                           | 1,085,000              | 26,323           |
| 2017                           | 1,095,000              | 11,351           |
| Total                          | <u>\$ 2,180,000</u>    | <u>\$ 37,674</u> |

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

The School District pays obligations related to employee compensation from the fund benefiting from their service, including the general fund, food service fund and state and federal grant funds.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 15 – INTERFUND ACTIVITY**

During the fiscal year, the School District had transfers from the Permanent Improvement Fund to the Debt Service Fund. The transfers were 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 \$58,232, which represents short-term loans made to other funds of the School District. These loans are expected to be repaid within one year.

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

| Fund Name                             | Amount    |
|---------------------------------------|-----------|
| Straight A Grant                      | \$ 15,641 |
| Race to the Top                       | 32,100    |
| Title III Limited English Proficiency | 10,491    |
|                                       | \$ 58,232 |

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Licking Area Computer Association** - The School District is a participant in the Licking Area Computer Association (LACA), which is a computer consortium. LACA is an association of public school districts within the boundaries of Licking and Muskingum Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendent from all participating districts. The School District paid \$131,442 for services provided during the fiscal year. Financial information can be obtained from their fiscal agent, the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, Ohio 43055.

**B. Metropolitan Educational Technology Association** - The School District participates in the Metropolitan Educational Technology Association (META). META is composed of over 200 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 37 counties in Central Ohio. The META helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of META 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 and one representative from each county outside of Franklin County. Each year, the participating school districts pay a membership fee to META to cover the costs of administering the program. The School District paid \$1,526 to META for membership during fiscal year 2015. Financial information may be obtained from the Metropolitan Educational Technology Association, Scott Armstrong, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, OH 43302.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (continued)**

**C. School Study Council of Ohio** - The School Study Council of Ohio (the “Council”) is a jointly governed organization operated by a Board of Trustees (the “Board”) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts can have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and participate in Council discussions, but are not entitled to vote. The Board is annually elected from within the Council’s active membership. The Board consisted of 14 members. The School District did not make any payments to the Council during fiscal year 2015. 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 an 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.

**NOTE 17 – SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of 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<br>Acquisition |
|---|------------------------|
| Set-aside cash balance as of June 30, 2014                | \$ -                   |
| Current fiscal year set-aside requirement                 | 613,609                |
| Current fiscal year offsets                               | (902,294)              |
| Set-aside Reserve Balance as of June 30, 2015             | \$ (288,685)           |
| Required Set-aside Balances Carried Forward to FY<br>2016 | \$ -                   |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 17 – SET-ASIDE CALCULATIONS (continued)**

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 18 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

**B. Litigation**

The School District is party to legal proceedings with Reynoldsburg City School District for taxes received from 2007 to present. To date a settlement amount has yet to be determined.

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 effect on the School District's financial position.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

For fiscal year 2015, the School District implemented *GASB Statement No. 69 “Government Combinations and Disposals of Government Operations”* provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of this statement did not have an effect on the financial statements of the School District.

For fiscal year 2015, the School District also implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

|   | Governmental<br>Activities |
|---|----------------------------|
| Net Position June 30, 2014                                  | 2,480,106                  |
| Adjustments:  |                            |
| Net Pension Liability                                       | (38,436,943)               |
| Deferred Outflows - Payments Subsequent to Measurement Date | 2,408,136                  |
| Restated Net Position June 30, 2014                         | (33,548,701)               |

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NOTE 20 – SUBSEQUENT EVENTS**

The School District proposed a March 15, 2016 ballot issue combining a 1-Mill Property Tax Bond and a 0.75% Earned Income Tax Levy. The property tax bond was a 37 year levy and the earned income tax was continuing. The ballot issue did not pass.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST 2 FISCAL YEARS (1)**

|  | <u>2014</u>  | <u>2013</u>  |
|--|--------------|--------------|
| School District's Proportion of the Net Pension Liability  | 0.133555%    | 0.133555%    |
| School District's Proportionate Share of the Net Pension Liability   | \$ 6,759,143 | \$ 7,942,088 |
| School District's Covered-Employee Payroll   | \$ 3,902,864 | \$ 3,863,238 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 173.18%      | 205.58%      |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability   | 71.70%       | 65.52%       |

(1) Information prior to 2013 is not available.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST 2 FISCAL YEARS (1)**

|  | <b>2014</b>   | <b>2013</b>   |
|--|---------------|---------------|
| School District's Proportion of the Net Pension Liability  | 0.123783%     | 0.123783%     |
| School District's Proportionate Share of the Net Pension Liability   | \$ 30,108,387 | \$ 30,494,855 |
| School District's Covered-Employee Payroll   | \$ 14,363,069 | \$ 12,212,484 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 209.62%       | 249.70%       |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability   | 74.70%        | 69.30%        |

(1) Information prior to 2013 is not available.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

**LAST EIGHT FISCAL YEARS (1)**

|  | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  | <u>2012</u>  | <u>2011</u>  | <u>2010</u>  | <u>2009</u>  | <u>2008</u>  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution                                  | \$ 563,273   | \$ 540,937   | \$ 534,672   | \$ 562,629   | \$ 504,110   | \$ 499,154   | \$ 323,100   | \$ 359,113   |
| Contributions in relation to the contractually required contribution | \$ (563,273) | \$ (540,937) | \$ (534,672) | \$ (562,629) | \$ (504,110) | \$ (499,154) | \$ (323,100) | \$ (359,113) |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Covered-employee payroll   | \$ 4,273,692 | \$ 3,902,864 | \$ 3,863,238 | \$ 4,183,113 | \$ 4,010,422 | \$ 3,686,514 | \$ 3,283,537 | \$ 3,656,955 |
| Contributions as a percentage of covered-employee payroll            | 13.18%       | 13.86%       | 13.84%       | 13.45%       | 12.57%       | 13.54%       | 9.84%        | 9.82%        |

(1) Information prior to 2008 is not available.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

**LAST TEN FISCAL YEARS**

|  | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    | <u>2011</u>    | <u>2010</u>    | <u>2009</u>    | <u>2008</u>    | <u>2007</u>    | <u>2006</u>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually Required Contribution                                  | \$ 1,991,477   | \$ 1,867,199   | \$ 1,587,623   | \$ 1,651,494   | \$ 1,607,164   | \$ 1,495,773   | \$ 1,393,724   | \$ 1,238,345   | \$ 1,194,060   | \$ 1,035,102   |
| Contributions in relation to the contractually required contribution | \$ (1,991,477) | \$ (1,867,199) | \$ (1,587,623) | \$ (1,651,494) | \$ (1,607,164) | \$ (1,495,773) | \$ (1,393,724) | \$ (1,238,345) | \$ (1,194,060) | \$ (1,035,102) |
| Contribution deficiency (excess)                                     | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           |
| Covered-employee payroll   | \$ 14,224,836  | \$ 14,363,069  | \$ 12,212,484  | \$ 12,703,800  | \$ 12,362,800  | \$ 11,505,946  | \$ 10,720,954  | \$ 9,525,731   | \$ 9,185,077   | \$ 7,962,323   |
| Contributions as a percentage of covered-employee payroll            | 14.00%         | 13.00%         | 13.00%         | 13.00%         | 13.00%         | 13.00%         | 13.00%         | 13.00%         | 13.00%         | 13.00%         |

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

| <b>FEDERAL GRANTOR</b><br><i>Pass Through Grantor</i>      | Grant Award<br>Year | Federal<br>CFDA<br>Number | Receipts                   | Expenditures               |
|--|---------------------|---------------------------|----------------------------|----------------------------|
| Program Title  |                     |                           |                            |                            |
| <b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>              |                     |                           |                            |                            |
| <i>Passed Through Ohio Department of Education:</i>        |                     |                           |                            |                            |
| Nutrition Cluster:   |                     |                           |                            |                            |
| Non-Cash Assistance (Food Donation):                       |                     |                           |                            |                            |
| National School Lunch Program                              | 2015                | 10.555                    | \$ 101,438                 | \$ 101,438                 |
| Cash Assistance  |                     |                           |                            |                            |
| School Breakfast Program                                   | 2015                | 10.553                    | 262,992                    | 262,992                    |
| National School Lunch Program                              | 2015                | 10.555                    | 610,554                    | 610,554                    |
| Total Nutrition Cluster                                    |                     |                           | <u>974,984</u>             | <u>974,984</u>             |
| <b>Total U.S. Department of Agriculture</b>                |                     |                           | <b><u>974,984</u></b>      | <b><u>974,984</u></b>      |
| <b><u>U.S. DEPARTMENT OF EDUCATION:</u></b>                |                     |                           |                            |                            |
| <i>Passed Through Ohio Department of Education:</i>        |                     |                           |                            |                            |
| Title I Grants to Local Educational Agencies Program       | 2014<br>2015        | 84.010                    | 148,190<br><u>656,105</u>  | 102,130<br><u>591,849</u>  |
| Total Title I Grants to Local Educational Agencies Program |                     |                           | <u>804,295</u>             | <u>693,979</u>             |
| Special Education - Grants to States Program               | 2014<br>2015        | 84.027                    | 86,493<br><u>499,065</u>   | 63,667<br><u>432,160</u>   |
| Total Special Education- Grants to States Program          |                     |                           | <u>585,558</u>             | <u>495,827</u>             |
| English Language Acquisition Grants Program                | 2014<br>2015        | 84.365                    | 16,816<br><u>34,631</u>    | 9,736<br><u>44,540</u>     |
| Total English Language Acquisition Grants Program          |                     |                           | <u>51,447</u>              | <u>54,276</u>              |
| Improving Teacher Quality State Grants Program             | 2014<br>2015        | 84.367                    | 11,101<br><u>50,267</u>    | 7,647<br><u>43,991</u>     |
| Total Improving Teacher Quality State Grants Program       |                     |                           | <u>61,368</u>              | <u>51,638</u>              |
| ARRA - Race to the Top Program                             | 2013<br>2014        | 84.395                    | -<br><u>9,268</u>          | 21<br><u>92,932</u>        |
| Total ARRA - Race to the Top Program                       |                     |                           | <u>9,268</u>               | <u>92,953</u>              |
| <b>Total U.S. Department of Education</b>                  |                     |                           | <b><u>1,511,936</u></b>    | <b><u>1,388,673</u></b>    |
| <b>Total Federal Awards Receipts and Expenditures</b>      |                     |                           | <b><u>\$ 2,486,920</u></b> | <b><u>\$ 2,363,657</u></b> |

*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  
FISCAL YEAR ENDED JUNE 30, 2015**

**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 School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT 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 the Licking Heights Local School District, Licking County, Ohio (the School District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2016, wherein we noted the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School 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 School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the School 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*.

***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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 15, 2016



# 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 the Licking Heights Local School District's, Licking County, Ohio (the School District's) 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 Licking Heights Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

### ***Management's Responsibility***

The School 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 School District's compliance for each of the School 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 School 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 School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School 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, 2015.

***Report on Internal Control Over Compliance***

The School 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 School 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 School 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 over 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

March 15, 2016

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

|                     |  |  |
|---------------------|--|--|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unmodified   |
| <i>(d)(1)(ii)</i>   | Were there any material control weaknesses reported at the financial statement level (GAGAS)?                  | No   |
| <i>(d)(1)(ii)</i>   | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No   |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                        | No   |
| <i>(d)(1)(iv)</i>   | Were there any material internal control weaknesses reported for major federal programs?                       | No   |
| <i>(d)(1)(iv)</i>   | Were there any significant deficiencies in internal control reported for major federal programs?               | No   |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Unmodified   |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under § .510(a)?   | No   |
| <i>(d)(1)(vii)</i>  | Major Programs (list):   | CFDA # 84.027 Special Education Grants to States Program<br><br>Nutrition Cluster: (School Breakfast Program CFDA 10.553 & National School Lunch Program CFDA 10.555 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs  | Type A: > \$ 300,000<br>Type B: all others   |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee?  | No   |

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

LICKING HEIGHTS LOCAL SCHOOL DISTRICT

LICKING COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 31, 2016