

LICKING VALLEY LOCAL SCHOOL DISTRICT

LICKING COUNTY

SINGLE AUDIT

June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Education
Licking Valley Local School District
1379 Licking Valley Road NE
Newark, Ohio 43055

We have reviewed the *Independent Auditor's Report* of the Licking Valley Local School District, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Licking Valley Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 26, 2006

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**Licking Valley Local School District
Licking County**

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Board of Education
Licking Valley Local School District
1379 Licking Valley Road
Newark, Ohio 43055

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Valley Local School District, Licking County, Ohio (the District) as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Licking Valley Local School District, Licking County, Ohio as of June 30, 2005, and the respective changes in financial position, where applicable, thereof and with the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 22, the District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. In addition, the District adopted Government Accounting Standards Board (GASB) Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* as disclosed at Note 23.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wilson, Sherman & Snow, Inc.

Newark, Ohio
December 9, 2005

**Licking Valley Local School District
Licking County**

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2005

The discussion and analysis of the Licking Valley Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

In total, net assets increased \$2,994,339.

- General revenues accounted for \$18,962,361 or 89% of all revenues. Program specific revenues in the form of operating grants and contributions, and charges for services and sales accounted for \$2,244,334 or 11% of total revenues of \$21,206,695.
- The District's major funds included the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund. The General Fund had \$15,516,744 in revenues and other financing sources and \$15,048,700 in expenditures and other financing uses. The General Fund's balance increased \$468,044 from the prior fiscal year. The Bond Retirement Fund had \$1,091,635 in revenues and other financing sources and \$1,329,489 in expenditures. The Bond Retirement Fund's balance decreased \$237,854 from the prior fiscal year. The Classroom Facilities Fund had \$7,774,292 in revenues and other financing sources and \$133,405 expenditures. The Classroom Facilities Fund's balance increased \$7,640,887 from the prior fiscal year.
- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.
- The revenue generated from the Classroom Facilities Fund is used to pay for capital improvement projects.

Using the Basic Financial Statements

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

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

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

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

**Licking Valley Local School District
Licking County**

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2005
(Continued)

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The General Fund, Bond Retirement Fund, and Classroom Facilities Fund are the District's most significant major governmental funds.

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

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

**Licking Valley Local School District
Licking County**

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2005
(Continued)

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 1
Net Assets**

Governmental Activities		
	2005	2004
<u>Assets:</u>		
Current and Other Assets	\$34,772,894	\$11,791,132
Capital Assets, Net	18,109,535	18,788,874
Total Assets	52,882,429	30,580,006
<u>Liabilities:</u>		
Current and Other Liabilities	23,341,352	5,919,191
Long-Term Liabilities	17,603,170	15,667,247
Total Liabilities	40,944,522	21,586,438
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	3,741,869	3,860,953
Restricted	9,808,786	4,800,865
Unrestricted	(1,612,748)	331,750
Total	\$11,937,907	\$8,993,568

Total assets increased \$22,302,423. The decrease in capital assets was \$679,339. The increase in current and other assets is a result of corresponding increases in grants or entitlements for the classroom facilities construction project.

Total liabilities increased \$19,358,084. Unearned revenue increased \$17,594,606. The increase is a result of the classroom facilities construction project. Grant money that has been awarded will be used to finance fiscal year 2006 construction and have been recorded as deferred revenue.

The significant changes in the long-term liabilities are a result of the issuance of \$2,700,000 in bonds during fiscal year 2005 to fund the School Facilities Construction project. Debt reductions during fiscal year 2005 consisted of \$665,000 in payments on the school improvement bonds and a payment of \$130,255 to capital leases.

**Licking Valley Local School District
Licking County**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2005
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 2
Change in Net Assets
Governmental Activities**

	2005	2004
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,145,337	\$1,216,056
Operating Grants, Contributions and Interest	1,098,997	672,166
Capital Grants and Contributions	-	76,970
Total Program Revenues	2,244,334	1,965,192
General Revenues:		
Property Taxes	4,576,855	4,757,867
Income Taxes	1,643,111	1,541,935
Grants and Entitlements	12,212,507	9,455,013
Gifts and Donations	181,421	-
Interest	204,223	75,567
Miscellaneous	144,244	157,389
Total General Revenues	18,962,361	15,987,771
Total Revenues	21,206,695	17,952,963
<u>Expenses:</u>		
Instruction	9,372,096	9,230,789
Support Services:		
Pupils	478,217	416,652
Instructional Staff	956,723	785,488
Board of Education	597,311	810,983
Administration	1,651,360	1,758,649
Fiscal	431,536	481,681
Business	29,462	2,463
Operation and Maintenance of Plant	1,594,187	1,758,469
Pupil Transportation	1,171,255	1,144,584
Central	50,234	48,442
Non-Instructional	774,840	736,782
Extracurricular Activities	490,646	475,367
Interest and Fiscal Charges	664,489	665,968
Total Expenses	18,262,356	18,316,317
Change in Net Assets	\$2,944,339	(\$363,354)

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35 annually in taxes. If three years later, the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would be .5 mills and the owner would still pay \$35.

Licking Valley Local School District
Licking County

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended June 30, 2005

(Continued)

Our District, which is dependent on property taxes and income taxes, is hampered by a lack of revenue growth and must periodically return to the voters to maintain a constant level of service. Property taxes made up approximately 22 percent of revenues for governmental activities for the District in fiscal year 2005. Income taxes made up approximately 8 percent of revenues for governmental activities for the District in fiscal year 2005.

Over the past several years the District has experienced a significant amount of growth. The District is located in Licking County, and includes all of the Village of Hanover, and portions of Mary Ann, Harrison, Perry, and Hanover Townships. The total assessed values upon which taxes are collected increased by \$163,557 from fiscal year 2004 to fiscal year 2005.

Instruction comprises approximately 51 percent of governmental program expenses and support services make up approximately 38 percent of the program expenses of the District.

Operating grants and contributions increased \$426,831. This increase is due to a direct increase in restricted grants from fiscal year 2004 to fiscal year 2005. Property tax revenue decreased \$181,012 due to a decrease in assessed values.

Regular instruction and administration expenses decreased \$34,018. This decrease is due to a reduction in staffing and retirements.

The statement of activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

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**Licking Valley Local School District
Licking County**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2005
(Continued)**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. A comparative analysis of fiscal year 2005 to 2004 follows:

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
Instruction	\$9,372,096	\$8,147,920	\$9,230,789	\$8,153,984
Support Services:				
Pupils	478,217	478,217	416,652	416,652
Instructional Staff	956,723	956,723	785,488	785,488
Board of Education	597,311	597,311	810,983	810,983
Administration	1,651,360	1,550,426	1,758,649	1,647,877
Fiscal	431,536	431,536	481,681	481,681
Business	29,462	29,462	2,463	2,463
Operation and Maintenance of Plant	1,594,187	1,594,187	1,758,469	1,758,469
Pupil Transportation	1,171,255	1,171,255	1,144,584	1,144,584
Central	50,234	43,281	48,442	40,472
Non-Instructional	774,840	69,482	736,782	298,412
Extracurricular Activities	490,646	283,733	475,367	144,092
Interest and Fiscal Charges	664,489	664,489	665,968	665,968
Total Expenses	<u>\$18,262,356</u>	<u>\$16,018,022</u>	<u>\$18,316,317</u>	<u>\$16,351,125</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 86 percent of instruction and support service activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 89 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$26,390,508 and expenditures and other financing uses of \$21,661,066. The net positive change of \$4,729,442 in fund balance for the year indicates that the District was able to meet current costs. An analysis of the District's major governmental funds can be found on page 3.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed.

**Licking Valley Local School District
Licking County**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2005
(Continued)**

Final expenditures were budgeted at \$16,007,497 while actual expenditures and other financing uses were \$15,917,241. The \$90,256 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Final estimated receipts were \$16,160,491, an increase of \$951,912 from original estimated receipts of \$15,208,579. This difference is attributed to an increase in property taxes. During fiscal year 2005, interest revenue decreased significantly due to the declining economy. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$18,109,535 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2005, the District had \$16,615,000 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-seven year period, with final maturity on December 1, 2025. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2005, the District's overall legal debt margin was (\$492,778), with an un-voted debt margin of \$179,136.

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

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

Economic Factors

The District is holding its own in the state of a declining economy and uncertainty in State funding. The District is a small rural community of 9,300 people in a 138 square mile area in Eastern and Northeastern Licking County, Ohio. It has a number of small businesses with agriculture being an important part of the economy.

Over the past several years, the District has remained in a good financial position. In 1988, the District passed a 7.5 mil-continuing levy. This levy provides a continuous source of funds for the financial operations and stability of the District.

**Licking Valley Local School District
Licking County**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2005
(Continued)**

The District also passed a 1.0% Continuous Income Tax levy for operating in 1993 and returned 5 mills of the 1988 levy back to the taxpayers. This generates approximately \$1,600,000 additional revenue to be used for operational expenses of the District. The District has operated for 10 years without asking the taxpayers for more operational dollars.

Contacting the District's Financial Management

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

**Licking Valley Local School District
Licking County**

**Statement of Net Assets
June 30, 2005**

		<u>Governmental Activities</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$	10,873,905
Materials and Supplies Inventory		8,916
Accrued Interest Receivable		3,584
Accounts Receivable		692
Intergovernmental Receivable		19,109,584
Prepaid Items		63,425
Property Taxes Receivable		4,029,605
Income Taxes Receivable		683,183
Non-Depreciable Capital Assets		215,282
Depreciable Capital Assets, net		<u>17,894,253</u>
Total Assets		<u><u>52,882,429</u></u>
LIABILITIES:		
Accounts Payable		494
Accrued Wages and Benefits		1,386,212
Intergovernmental Payable		408,861
Matured Severance Payable		13,956
Unearned Revenue		21,531,829
Long-Term Liabilities:		
Due Within One Year		666,245
Due in More Than One Year		<u>16,936,925</u>
Total Liabilities		<u><u>40,944,522</u></u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt		3,741,869
Restricted for Debt Service		727,001
Restricted for Capital Projects		8,990,696
Restricted for Other Purposes		91,089
Unrestricted		<u>(1,612,748)</u>
Total Net Assets	\$	<u><u>11,937,907</u></u>

See Accompanying Notes to the Basic Financial Statements

**Licking Valley Local School District
Licking County**

**Statement of Activities
For the Fiscal Year Ended June 30, 2005**

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Instruction:			
Regular	\$ 7,817,970	\$ 343,318	\$ 353,997
Special	1,263,639	-	526,055
Vocational	290,487	-	806
Support Services:			
Pupils	478,217	-	-
Instructional Staff	956,723	-	-
Board of Education	597,311	-	-
Administration	1,651,360	97,017	3,917
Fiscal	431,536	-	-
Business	29,462	-	-
Operation and Maintenance of Plant	1,594,187	-	-
Pupil Transportation	1,171,255	-	-
Central	50,234	-	6,953
Operation of Non-Instructional Services	774,840	498,089	207,269
Extracurricular Activities	490,646	206,913	-
Interest and Fiscal Charges	664,489	-	-
Total Governmental Activities	\$ 18,262,356	\$ 1,145,337	\$ 1,098,997

General Revenues:	
Property Taxes Levied for:	
General Purposes	\$ 3,612,308
Debt Service	964,547
School District Income Tax	1,643,111
Grants and Entitlements not Restricted to Specific Programs	12,212,507
Gifts and Donations	181,421
Investment Earnings	204,223
Miscellaneous	144,244
Total General Revenues	18,962,361
Change in Net Assets	2,944,339
Net Assets Beginning of Year	8,993,568
Net Assets End of Year	\$ 11,937,907

See Accompanying Notes to the Basic Financial Statements

**Licking Valley Local School District
Licking County**

**Balance Sheet
Governmental Funds
June 30, 2005**

	General Fund	Bond Retirement Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 1,859,987	\$ 550,411	\$ 7,640,887	\$ 753,644	\$ 10,804,929
Materials and Supplies Inventory	-	-	-	8,916	8,916
Accrued Interest Receivable	3,584	-	-	-	3,584
Accounts Receivable	387	-	-	305	692
Intergovernmental Receivable	-	-	19,069,830	39,754	19,109,584
Prepaid Items	63,425	-	-	-	63,425
Property Taxes Receivable	2,980,559	1,049,046	-	-	4,029,605
Income Taxes Receivable	683,183	-	-	-	683,183
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	68,976	-	-	-	68,976
Total Assets	\$ 5,660,101	\$ 1,599,457	\$ 26,710,717	\$ 802,619	\$ 34,772,894
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 494	\$ -	\$ -	\$ -	\$ 494
Accrued Wages and Benefits	1,304,770	-	-	81,442	1,386,212
Intergovernmental Payable	370,808	-	-	38,053	408,861
Matured Severance Payable	13,956	-	-	-	13,956
Deferred Revenue	2,769,553	953,478	19,069,830	-	22,792,861
Total Liabilities	\$ 4,459,581	\$ 953,478	\$ 19,069,830	\$ 119,495	\$ 24,602,384
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	154,813	-	20,797	28,554	204,164
Reserved for Prepaid Items	63,425	-	-	-	63,425
Reserved for Debt Service	-	555,779	-	-	555,779
Reserved for Property Taxes	299,800	90,200	-	-	390,000
Reserved for Textbooks and Instructional Materials	68,976	-	-	-	68,976
Unreserved, Undesignated, Reported in:					
General Fund	613,506	-	-	-	613,506
Special Revenue Funds	-	-	-	56,130	56,130
Capital Projects Funds	-	-	7,620,090	598,440	8,218,530
Total Fund Balances	1,200,520	645,979	7,640,887	683,124	10,170,510
Total Liabilities and Fund Balances	\$ 5,660,101	\$ 1,599,457	\$ 26,710,717	\$ 802,619	\$ 34,772,894

See Accompanying Notes to the Basic Financial Statements

**Licking Valley Local School District
Licking County**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2005**

Total Governmental Fund Balances		\$ 10,170,510
 Amounts reported for governmental activities on the statement of net assets are different because of the following:		
 Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		
		18,109,535
 Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Property Taxes Receivable	386,953	
Income Tax Receivable	116,305	
Intergovernmental Receivable	<u>757,774</u>	
		1,261,032
 Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(16,615,000)	
Compensated Absences Payable	(770,504)	
Capital Leases Payable	<u>(217,666)</u>	
		<u>(17,603,170)</u>
Net Assets of Governmental Activities		\$ <u><u>11,937,907</u></u>

See Accompanying Notes to the Basic Financial Statements

**Licking Valley Local School District
Licking County**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Property and Other Local Taxes	\$ 3,673,363	\$ 975,798	\$ -	\$ -	\$ 4,649,161
Income Tax	1,644,508	-	-	-	1,644,508
Intergovernmental	9,711,742	115,442	1,785,773	940,773	12,553,730
Interest	80,672	-	106,519	16,637	203,828
Tuition and Fees	343,318	-	-	-	343,318
Extracurricular Activities	-	-	-	334,470	334,470
Gifts and Donations	-	-	-	2,305	2,305
Customer Sales and Services	-	-	-	467,549	467,549
Miscellaneous	33,334	-	-	81,103	114,437
Total Revenues	<u>15,486,937</u>	<u>1,091,240</u>	<u>1,892,292</u>	<u>1,842,837</u>	<u>20,313,306</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	6,602,481	-	-	196,874	6,799,355
Special	826,615	-	-	428,999	1,255,614
Vocational	287,094	-	-	806	287,900
Support Services:					
Pupils	489,422	-	-	-	489,422
Instructional Staff	858,810	-	-	72,971	931,781
Board of Education	720,100	-	-	-	720,100
Administration	1,427,469	-	-	213,592	1,641,061
Fiscal	429,817	-	-	-	429,817
Business	29,462	-	-	-	29,462
Operation and Maintenance of Plant	1,574,358	-	-	4,717	1,579,075
Pupil Transportation	1,050,627	-	-	-	1,050,627
Central	43,281	-	-	6,953	50,234
Operation of Non-Instructional Services	-	-	-	768,602	768,602
Extracurricular Activities	179,232	-	-	273,958	453,190
Capital Outlay	234,677	-	133,405	-	368,082
Debt Service:					
Principal	130,255	665,000	-	-	795,255
Interest	-	664,489	-	-	664,489
Total Expenditures	<u>14,883,700</u>	<u>1,329,489</u>	<u>133,405</u>	<u>1,967,472</u>	<u>18,314,066</u>
Excess of Revenues Over (Under) Expenditures	<u>603,237</u>	<u>(238,249)</u>	<u>1,758,887</u>	<u>(124,635)</u>	<u>1,999,240</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	3,182,000	165,000	3,347,000
Proceeds from Insurance Claims	29,807	-	-	-	29,807
Transfers Out	(165,000)	-	-	(3,182,000)	(3,347,000)
Proceeds from Sale of Notes	-	-	2,700,000	-	2,700,000
Accrued Interest Received on Debt Issuance	-	395	-	-	395
Total Other Financing Sources and Uses	<u>(135,193)</u>	<u>395</u>	<u>5,882,000</u>	<u>(3,017,000)</u>	<u>2,730,202</u>
Net Change in Fund Balances	468,044	(237,854)	7,640,887	(3,141,635)	4,729,442
Fund Balance at Beginning of Year (Restated)	732,476	883,833	-	3,824,759	5,441,068
Fund Balance at End of Year	<u>\$ 1,200,520</u>	<u>\$ 645,979</u>	<u>\$ 7,640,887</u>	<u>\$ 683,124</u>	<u>\$ 10,170,510</u>

See Accompanying Notes to the Basic Financial Statements

**Licking Valley Local School District
Licking County**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds		\$	4,729,442
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>			
<p>Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.</p>			
Capital Outlay - Depreciable Capital Assets	304,000		
Depreciation	<u>(983,339)</u>		(679,339)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>			
Property Taxes	(72,306)		
Intergovernmental	757,774		
Income Taxes	<u>(1,397)</u>		
Total Intergovernmental Revenue			684,071
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.</p>			
			795,255
<p>Other financing sources in governmental funds increase long-term liabilities in the statement of net assets</p>			
Proceeds from Sale of Notes			(2,700,000)
<p>Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:</p>			
Matured Compensated Absences Payable	146,088		
Compensated Absences Payable	<u>(31,178)</u>		
			<u>114,910</u>
Change in Net Assets of Governmental Activities		\$	<u><u>2,944,339</u></u>

See Accompanying Notes to the Basic Financial Statements

**Licking Valley Local School District
Licking County**

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$ 2,960,136	\$ 3,737,625	\$ 3,737,353	\$ (272)
Income Tax	1,500,000	1,586,394	1,586,114	(280)
Intergovernmental	9,600,000	9,687,470	9,711,742	24,272
Interest	78,000	78,000	77,986	(14)
Tuition and Fees	354,000	354,000	353,749	(251)
Miscellaneous	62,000	62,559	35,670	(26,889)
Total Revenues	<u>14,554,136</u>	<u>15,506,048</u>	<u>15,502,614</u>	<u>(3,434)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	6,586,750	6,576,085	6,534,135	41,950
Special	960,000	902,497	886,666	15,831
Vocational	310,500	268,505	268,505	-
Support Services:				
Pupils	443,000	488,744	483,291	5,453
Instructional Staff	911,000	862,908	862,066	842
Board of Education	767,445	748,978	722,798	26,180
Administration	1,499,500	1,461,311	1,461,311	-
Fiscal	523,000	449,300	449,300	-
Business	25,000	29,560	29,560	-
Operation and Maintenance of Plant	1,801,300	1,816,096	1,816,096	-
Pupil Transportation	1,321,500	1,067,714	1,067,714	-
Central	45,200	43,390	43,390	-
Extracurricular Activities	180,500	186,850	186,850	-
Capital Outlay	79,806	268,997	268,997	-
Debt Service:				
Principal	45,194	45,194	45,194	-
Total Expenditures	<u>15,499,695</u>	<u>15,216,129</u>	<u>15,125,873</u>	<u>90,256</u>
Excess of Revenues Over (Under) Expenditures	<u>(945,559)</u>	<u>289,919</u>	<u>376,741</u>	<u>86,822</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	626,368	626,368	626,368	-
Proceeds from Insurance Claims	25,975	25,975	29,807	3,832
Refund of Prior Year Expenditures	2,100	2,100	-	(2,100)
Transfers Out	(50,000)	(791,368)	(791,368)	-
Total Other Financing Sources and Uses	<u>604,443</u>	<u>(136,925)</u>	<u>(135,193)</u>	<u>1,732</u>
Net Change in Fund Balance	(341,116)	152,994	241,548	88,554
Fund Balance at Beginning of Year	1,347,729	1,347,729	1,347,729	-
Prior Year Encumbrances Appropriated	184,378	184,378	184,378	-
Fund Balance at End of Year	<u>\$ 1,190,991</u>	<u>\$ 1,685,101</u>	<u>\$ 1,773,655</u>	<u>\$ 88,554</u>

See Accompanying Notes to the Basic Financial Statements

**Licking Valley Local School District
Licking County**

**Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
June 30, 2005**

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>75,870</u>
Total Assets	\$ <u><u>75,870</u></u>
LIABILITIES:	
Undistributed Monies	\$ <u>75,870</u>
Total Liabilities	\$ <u><u>75,870</u></u>

See Accompanying Notes to the Basic Financial Statements

Licking Valley Local School District
Licking County

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005

1. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1957 through the consolidation of existing land areas and school districts. The District serves an area of approximately 138 square miles. It is located in Licking County, and includes the Village of Hanover and portions of Mary Ann, Perry, Harrison and Hanover Townships. The District is the 257th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 119 non-certificated employees and 152 certificated full-time teaching personnel who provide services to 2,149 students and other community members. The District currently operates 6 instructional buildings.

Reporting Entity:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Licking Valley Local School District
Licking County

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

Licking Valley Local School District
Licking County

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2005

(Continued)

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

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

Classroom Facilities Fund - The School Construction Fund is used account for the revenues and expenditures related to the construction of new school buildings in accordance with the Ohio School Facilities Program.

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

Fiduciary Funds

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Licking Valley Local School District
Licking County

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

Revenues - Exchange and Non-exchange Transactions

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, is not recognized in governmental funds.

Licking Valley Local School District
Licking County

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2005

(Continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2005, investments were limited to STAR Ohio and repurchase agreements. Repurchase agreements are reported at cost.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$80,672, \$106,519 to the Classroom Facilities Fund and \$16,637 to other governmental funds.

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

Licking Valley Local School District
Licking County

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2005

(Continued)

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. At fiscal year end, because prepaid items are not available to finance future governmental fund expenditures, the fund balance reserved in the fund financial statements by an amount equal to the carrying value of the asset.

H. Inventory

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

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

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amounts required by state statute to be set-aside to create a reserve for the purchase of textbooks and instructional materials. See Note 15 for more details.

J. Capital Assets

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

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

Licking Valley Local School District
Licking County

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

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

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

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

L. 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 District will compensate the employees for benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

The entire compensated absence liability is reported on the government-wide financial statements.

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

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

**Licking Valley Local School District
Licking County**

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service, athletic programs, federal and state grants, and set-aside requirements.

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

O. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, textbooks and instructional materials, prepaid items, encumbrances, and debt service.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriation under State statute.

P. Interfund Transactions

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

3. BUDGETARY BASIS OF ACCOUNTING

While the 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 (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance General Fund	
GAAP Basis	\$468,044
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	913,837
Accrued FY 2005, Not Yet Received in Cash	(898,160)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(1,713,469)
Accrued FY 2005, Not Yet Paid in Cash	1,626,603
Encumbrances Outstanding at Year End (Budget Basis)	(155,307)
Budget Basis	\$241,548

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Licking Valley Local School District
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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2005

(Continued)

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

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

Deposits

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

At year end the carrying amount of the District's deposits was \$62,241 and the bank balance of \$165,621. Federal deposit insurance covered \$100,000 of the bank balance and \$65,621 was uninsured.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

Investments

As of June 30, 2005, the District had the following investments.

	Carrying and Fair Value	Investment Maturities (in Years) Less than 1
Repurchase Agreement	\$9,797,727	\$9,797,727
STAR Ohio	1,089,807	1,089,807
Total Investments	\$10,887,534	\$10,887,534

The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

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

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

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

Reconciliation of Cash, Cash Equivalents and Investments to the Statement of Net Assets

The following is a reconciliation of cash, cash equivalents and investments to the Statement of Net Assets as of June 30, 2005:

Investments (summarized above)	\$10,887,534
Carrying amount of District's deposits	62,241
Less: Fiduciary Funds – Cash and Investments	(75,870)
Total Governmental Activities – Cash and Investments	\$10,873,905

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes 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.

The District receives property taxes from Licking County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005, was \$299,800 in the General Fund and \$90,200 in the Bond Retirement Fund.

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$146,773,960	83%	\$152,534,080	85%
Public Utility	17,170,970	10%	14,061,800	8%
Tangible Personal Property	12,354,426	7%	12,539,919	7%
Total Assessed Value	<u>\$176,299,356</u>	<u>100%</u>	<u>\$179,135,799</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$39.80		\$39.93	

**Licking Valley Local School District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

6. INCOME TAX

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

7. RECEIVABLES

Receivables at June 30, 2005, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year except for \$19,069,830 of the governmental activities intergovernmental receivable due from the Ohio School Facilities Commission. This intergovernmental receivable will be collected over approximately two to three years as the District continues various construction projects.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Classroom Facilities Fund	\$19,069,830
All Other Governmental Funds:	
Title VI-B	<u>39,754</u>
Total Governmental Activities	<u><u>\$19,109,584</u></u>

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**Licking Valley Local School District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
<u>Governmental Activities</u>				
Nondepreciable Capital Assets:				
Land	\$61,282	\$154,000	\$-	\$215,282
Total Nondepreciable Capital Assets	<u>61,282</u>	<u>154,000</u>	<u>-</u>	<u>215,282</u>
Depreciable Capital Assets:				
Land Improvements	1,897,498	-	-	1,897,498
Buildings and Building Improvements	21,483,572	150,000	-	21,633,572
Furniture, Fixtures, and Equipment	1,038,566	-	-	1,038,566
Vehicles	1,820,403	-	-	1,820,403
Total Depreciable Capital Assets	<u>26,240,039</u>	<u>150,000</u>	<u>-</u>	<u>26,396,039</u>
Less Accumulated Depreciation:				
Land Improvements	728,158	76,520	-	804,678
Buildings and Building Improvements	4,999,249	657,592	-	5,656,841
Furniture, Fixtures, and Equipment	392,509	133,609	-	526,118
Vehicles	1,392,531	115,618	-	1,508,149
Total Accumulated Depreciation	<u>7,512,447</u>	<u>983,339</u>	<u>-</u>	<u>8,495,786</u>
Depreciable Capital Assets, Net	<u>18,727,592</u>	<u>(833,339)</u>	<u>-</u>	<u>17,894,253</u>
Governmental Activities Capital Assets, Net	<u>\$18,788,874</u>	<u>(\$679,339)</u>	<u>\$-</u>	<u>\$18,109,535</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$751,106
Vocational	1,301
Support Services:	
Instruction Staff	28,575
Board of Education	21,825
Administration	19,576
Operation and Maintenance of Plant	1,524
Pupil Transportation	115,618
Operations of Non-Instruction	6,358
Extracurricular	37,456
Total Depreciation Expense	<u>\$983,339</u>

**Licking Valley Local School District
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	\$5,000	\$43,062,890
Automobile Liability	1,000	1,000,000
Uninsured Motorists	1,000	1,000,000
General Liability	1,000	
Per occurrence	0	2,000,000
Per year	0	5,000,000

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

For fiscal year 2005, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Licking Valley Local School District
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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2005

(Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$426,370, \$413,451, and \$382,751, respectively; 54 percent has been contributed for 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$194,364.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Licking Valley Local School District
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NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2005

(Continued)

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,090,568, \$1,073,231, and \$1,009,972, respectively; which were equal to the required contributions for each year.

11. POSTEMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2004, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the year ended June 30, 2004, the latest information available, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the allocation rate is 4.91%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2004, the minimum pay has been established as \$24,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million.

The number of participants currently receiving health care benefits is approximately 62,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .35072, then adding the surcharge due as of June 30, 2004, as certified to your district by SERS.

12. EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

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

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees through National Term Life.

13. LONG-TERM OBLIGATIONS

During fiscal year 2005, the District issued general obligation bonds to provide long-term financing of the construction and renovation of various school buildings in accordance with the terms of the Facilities grant from the Ohio School Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of a new elementary school and renovations to the middle school and high school. These bonds are general obligations for the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

These bonds represent a portion of the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of the facilities grant from the OSFC. OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2005, the total estimated cost of the Construction Project is \$26,737,603, of which OSFC will pay \$20,855,603.

The changes in the District's long-term obligations during fiscal year 2005 were as follows:

	Balance at 07/01/04	Additions	Deductions	Balance at 06/30/05	Amounts Due in One Year
Building Construction Bonds	\$14,580,000	\$ -	\$ 430,000	\$14,150,000	\$450,000
School Facilities Construction Bonds	-	2,700,000	235,000	2,465,000	135,000
Capital Leases	347,921	-	130,255	217,666	81,245
Compensated Absences	739,326	770,504	739,326	770,504	-
Total long term Obligations	<u>\$15,667,247</u>	<u>\$3,470,504</u>	<u>\$1,534,581</u>	<u>\$17,603,170</u>	<u>\$666,245</u>

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

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

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

The District's voted legal debt margin was (\$492,778) with an unvoted debt margin of \$179,136 at June 30, 2005.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 2005, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2006	\$585,000	\$730,350	\$1,315,350
2007	585,000	727,650	1,312,650
2008	590,000	715,275	1,305,275
2009	610,000	692,630	1,302,630
2010	635,000	668,300	1,303,300
2011 – 2015	3,580,000	2,907,849	6,487,849
2016 – 2020	4,495,000	1,965,531	6,460,531
2021 – 2025	4,495,000	843,625	5,338,625
2026	1,040,000	26,000	1,066,000
Total	\$16,615,000	\$9,277,210	\$25,892,210

14. CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of copy machines and stadium bleachers have been capitalized in the amount of \$717,094. The capitalized amount of the leases represents the present value of the minimum lease payment at the time of acquisition. A corresponding liability is recorded in the statement of net assets. Principal payments in fiscal year 2005 totaled \$130,255 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Midwest Bankers	Danka Copiers
2006	\$26,622	\$68,040
2007	-	68,040
2008	-	68,040
2009	-	11,340
Less: Amount Representing Interest	(1,713)	(22,703)
Present Value of Net Minimum Lease Payments	\$24,909	\$192,757

**Licking Valley Local School District
Licking County**

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute. The District did not meet the spending requirement for the Textbook Reserve and the excess is therefore presented as restricted on the financial statements. The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve. This negative amount is therefore being carried forward to the next fiscal year, based on the issuance of capital related debt of \$2,700,000 during fiscal year 2005.

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2004	\$ 3,821	\$ -	\$ 3,821
Current Year Set-aside Requirement	313,184	313,184	626,368
Current Year Offsets	-	(2,700,000)	(2,700,000)
Qualifying Disbursements	(248,029)	(304,974)	(553,003)
Total	\$ 68,976	(\$2,691,790)	\$(2,622,814)
Cash Balance Carried Forward to FY 2006	\$ 68,976	\$ -	\$ 68,976

16. JOINTLY GOVERNED ORGANIZATIONS

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

Central Ohio Special Education Regional Resource Center - The District participates in the Central Ohio Special Education Regional Resource Center (COSERRC), a jointly governed organization. COSERRC is one of sixteen (16) centers in Ohio, which serves as the organizational structure offering multi-district special educational services. Each SERRC is designed to initiate, expand, and improve the delivery of special education services to children with disabilities ages 3 through 21. The governing board of COSERRC consists of superintendents or a designated representative from each school district. Financial information may be obtained from the Franklin County Education Service Center, Deloris Fate, who serves as Treasurer, at 1717 Alum Creek Drive, Columbus, Ohio, 43207.

**Licking Valley Local School District
Licking County**

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2005

(Continued)

Metropolitan Education Council - The District participates in the Metropolitan Education Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which include school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's membership payment to MEC for fiscal year 2005 was \$800. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio, 43232.

17. INSURANCE PURCHASING POOL

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

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

18. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**Licking Valley Local School District
Licking County**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)**

19. CONTINGENCIES

A. Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2005.

B. Litigation

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

20. INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to All Other Governmental funds from:	
General Fund	\$ 165,000
Transfers to Classroom Facilities Fund from:	
All Other Governmental Funds	<u>3,182,000</u>
Total Transfers	<u><u>\$3,347,000</u></u>

Transfers to All Other Governmental Funds from the General Fund is to fund the District's locally funded initiative for the facilities construction project and to prevent negative fund balances at fiscal year end.

The purpose of the transfer from the All Other Governmental Funds to the Classroom Facilities Fund is to move proceeds collected for facilities construction within the Permanent Improvement Fund prior to the approval of the Classroom Facilities project agreement. The Ohio School Facilities Commission approved this amount as an allowable local match for the construction project.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

21. SUBSEQUENT EVENTS

At the August 2005 regular board meeting the Board of Education approved the issuance of advanced refunding bonds in an amount not to exceed \$11,840,000 to partially refund bonds issued in 1999. General Obligation Advance Refunding Bonds were issued on September 22, 2005 for \$9,334,989.

**Licking Valley Local School District
Licking County**

NOTES TO THE BASIC FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2005
(Continued)

22. CHANGE IN ACCOUNTING PRINCIPLE

The District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Implementation of GASB 40 has no impact on the District's financial position or results of operations.

23. RESTATEMENT OF FUND BALANCES

The District has implemented GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.* This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of this Bulletin had the following effect on fund balance of the General fund as previously reported at June 30, 2004:

	<u>General Fund</u>
Fund Balance, June 30, 2004	\$904,037
GASB Technical Bulletin No. 2004-02	<u>(171,561)</u>
Restated Fund Balance, June 30, 2004	<u><u>\$732,476</u></u>

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass thru Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Donation	N/A	10.550	\$ -	\$ 66,160	\$ -	\$ 66,160
National School Lunch Program	LL-P4-04,05	10.555	155,994	-	155,994	-
<i>Total Child Nutrition Cluster:</i>			<u>155,994</u>	<u>66,160</u>	<u>155,994</u>	<u>66,160</u>
Total U.S. Department of Agriculture			<u>155,994</u>	<u>66,160</u>	<u>155,994</u>	<u>66,160</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-05	84.010	147,341	-	153,030	-
Safe and Drug Free Schools and Communities-State Grants	DR-S1-05	84.186	7,581	-	7,781	-
Special Education-Grants to States	6B-SF-04,05	84.027	357,137	-	347,627	-
State Grants for Innovative Programs	C2-S1-05	84.298	8,967	-	8,967	-
Education Technology State Grants	TJ-S1-05	84.318	3,917	-	3,717	-
Improving Teacher Quality State Grants	TR-S1	84.367	62,672	-	58,718	-
Total U.S. Department of Education			<u>587,615</u>	<u>-</u>	<u>579,840</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
<i>Passed Through Ohio Department of Public Safety</i>						
Public Assistance Grants	PA-UIPDH-00	97.036	7,279	-	7,279	-
TOTAL FEDERAL ASSISTANCE			<u>\$ 750,888</u>	<u>\$ 66,160</u>	<u>\$ 743,113</u>	<u>\$ 66,160</u>

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

Licking Valley Local School District
Licking County

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
For the fiscal year ended June 30, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the accompanying Schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture.



Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Education
Licking Valley Local School District
1379 Licking Valley Road
Newark, Ohio 43055

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Licking Valley Local School District, Licking County, Ohio (the District) as of and for the fiscal year ended June 30, 2005 and have issued our report thereon dated December 9, 2005. As discussed within Note 22, the District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. In addition, as disclosed in Note 23, the District adopted GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

This report is intended solely for the information and use of management, Board of Education, the Auditor of State, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 9, 2005



Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Education
Licking Valley Local School District
1379 Licking Valley Road
Newark, Ohio 43055

Compliance

We have audited the compliance of the Licking Valley Local School District, Licking County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2005. As discussed within Note 22, the District adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. In addition, as disclosed in Note 23, the District adopted GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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1-800-523-6611
FAX (740) 345-5635

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Board of Education, the Auditor of State, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shuman & Sauer, Inc.

Newark, Ohio
December 9, 2005

**Licking Valley Local School District
Licking County**

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

June 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program (list):	Nutrition Cluster \ 10.550 and 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**Licking Valley Local School District
Licking County**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

June 30, 2005

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

None were noted

3. FINDINGS FOR FEDERAL AWARDS

None were noted

**Licking Valley Local School District
Licking County**

SCHEDULE OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A-133 § .315(b)

June 30, 2005

Finding Number	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2004-001	The Food Service Coordinator will select the verification sample size based on approved applications on file as of October 31 st . In addition, she will document the verification process in a Verification Summary Report and keep the documentation on file.	Yes	N/A



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**LICKING VALLEY LOCAL SCHOOL DISTRICT
LICKING COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**