

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

*BASIC FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004*

RICHARD D. JONES, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Southwest Licking Local School District
927 South Street
Etna, Ohio 43018-0180

We have reviewed the Independent Auditor's Report of the Southwest Licking Local School District, Licking County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 to June 30, 2004. 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 Southwest Licking Local School District is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 25, 2005

This Page is Intentionally Left Blank.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

TABLE OF CONTENTS

Table of Contents.....	1
Independent Auditor’s Report	2 - 3
Management’s Discussion and Analysis	4 - 11
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets - Cash Basis.....	12
Statement of Activities - Cash Basis	13
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	14
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds	15 - 16
Statement of Cash Receipts, Disbursements and Encumbrances, Compared with Expenditure Authority - Budget and Actual - General Fund	17
Statement of Cash Receipts, Disbursements and Encumbrances, Compared with Expenditure Authority - Budget and Actual - Food Service Fund.....	18
Statement of Net Assets - Cash Basis - Fiduciary Funds	19
Statement of Changes in Fiduciary Net Assets - Cash Basis - Fiduciary Funds	20
Notes to the Basic Financial Statements.....	21 - 38
Supplemental Data	
Schedule of Receipts and Expenditures of Federal Awards	39
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	40 - 41
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance with <i>OMB</i> <i>Circular A-133</i>	42 - 43
Schedule of Findings <i>OMB Circular A-133 §.505</i>	44 - 45
Status of Prior Audit Findings <i>OMB Circular A-133 §.505</i>	46

This Page is Intentionally Left Blank.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor’s Report

Board of Education
Southwest Licking Local School District
927 South Street
Etna, Ohio 43018-0180

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Licking Local School District, Licking County, (the “District”) as of and for the fiscal year ended June 30, 2004, 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 an opinion 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 of America. 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 opinion.

As discussed in Note 2, the Southwest Licking Local School District, Licking County, prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, as disclosed in Note 3, the District had a change in accounting principle and prepared its financial statements in accordance with accounting principles generally accepted in the United States of America in the prior year.

In our opinion, the cash basis financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Licking Local School District, Licking County, as of June 30, 2004, and the respective changes in cash basis financial position thereof and the respective budgetary comparisons for the general and food service funds for the fiscal year then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004, 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.

Board of Education
Southwest Licking Local School District
Page 2

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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 receipts and expenditures of federal awards 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 of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole on the basis of accounting described in Note 2.

A handwritten signature in cursive script that reads "Trimble, Julian & Grube, Inc.".

Trimble, Julian & Grube, Inc.
September 10, 2004

Southwest Licking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

As management of the Southwest Licking Local School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the Southwest Licking Local School District for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Financial Highlights

Key financial highlights for the fiscal year 2004 are as follows:

- Net assets of governmental activities decreased \$382,008.
- General receipts accounted for \$24,615,112 in revenue or 79.5 percent of all receipts. Program specific receipts in the form of charges for services, grants, contributions, and interest accounted for \$6,344,063 or 20.5 percent of total receipts of \$30,959,175.
- The School District had \$31,341,183 in expenses related to governmental activities; only \$6,344,063 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General receipts of \$24,615,112 were not adequate to provide for these programs.
- The School District has five major funds; the general fund, debt service fund, permanent improvement fund, building fund, and the food services fund. The general fund had \$24,222,820 in cash receipts and other financing sources \$25,207,495 in disbursements. The general fund's balance decreased (\$984,675). The debt service fund had \$2,014,125 in cash receipts and other financing sources \$1,701,931 in disbursements. The debt service's fund balance increased by \$312,194. The permanent improvement fund \$770,197 in cash receipts and \$765,531 in disbursements. The permanent improvement's fund balance increased by \$4,666. The building fund had \$1,655,350 in cash receipts and other financing sources and \$1,350,307 in disbursements. The building's fund balance increased by \$305,043. The food services fund had \$893,698 in cash receipts and \$937,684 in disbursements. The food services' fund balance decreased by (\$43,986).

Using this Annual Financial Report

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

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

Southwest Licking Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities - Cash Basis

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements are presented in the cash basis of accounting. This basis of accounting only takes into account the receipts that were received and the disbursements that were paid.

These two statements report the School District's cash and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School 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 School District's activities are all reported as Governmental.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for various financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund, permanent improvement fund, building fund, and the food services fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds These funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The District has student activity agency funds.

The School District as a Whole

Table 1 shows the changes in net assets for the fiscal year ended June 30, 2004.

Southwest Licking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

Table 1
Changes in Net Assets

	Governmental Activities 2004
Receipts	
Program Receipts	
Charges for Services	\$ 1,534,527
Operating Grants, Contributions and Interest	3,090,760
Capital Grants and Contributions	1,718,776
Total Program Receipts	<u>6,344,063</u>
General Receipts	
Property Taxes	10,352,394
Income Taxes	3,014,457
Grants and Entitlements	11,130,041
Investment Earnings	63,443
Miscellaneous	54,777
Total General Receipts	<u>24,615,112</u>
Total Receipts	<u>30,959,175</u>
Program Disbursements	
Instruction:	
Regular	11,793,236
Special	2,523,762
Vocational	658,846
Other	925,031
Support Services:	
Pupils	1,454,212
Instructional Staff	950,621
Board of Education	20,369
Administration	2,295,587
Fiscal	699,523
Business	86,162
Operation and Maintenance of Plant	2,339,758
Pupil Transportation	1,924,313
Central	407,673
Operation of Non-Instructional Services	73,244
Operation of Food Service	937,684
Extracurricular Activities	1,007,101
Capital Outlay	1,517,082
Debt Service:	
Principal Retirement	606,320
Interest and Fiscal Charges	1,120,659
Total Program Disbursements	<u>31,341,183</u>
Decrease in Net Assets	<u>\$ (382,008)</u>

Southwest Licking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

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.

Our school district, which is dependent on property 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 33 percent of receipts for governmental activities for the Southwest Licking Local School District in fiscal year 2004.

Over the past several years the School District has experienced a significant amount of growth. The District is located in Licking and Fairfield Counties, and includes all of the City of Pataskala, the Village of Kirkersville and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The total assessed values upon which taxes are collected increased by \$21,317,660 from fiscal year 2003 to fiscal year 2004.

Instruction comprises approximately 51 percent of governmental program disbursements and support services make up approximately 33 percent of the program disbursements of the District.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 2 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.

This space was intentionally left blank.

Southwest Licking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

Table 2
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Program Disbursements		
Instruction:		
Regular	\$ 11,793,236	\$ 11,325,979
Special	2,523,762	1,217,122
Vocational	658,846	622,408
Other	925,031	925,031
Support Services:		-
Pupils	1,454,212	1,354,931
Instructional Staff	950,621	744,499
Board of Education	20,369	20,369
Administration	2,295,587	2,245,624
Fiscal	699,523	680,920
Business	86,162	86,162
Operation and Maintenance of Plant	2,339,758	2,296,946
Pupil Transportation	1,924,313	982,197
Central	407,673	354,414
Operation of Non-Instructional Services	73,244	(20,335)
Operation of Food Service	937,684	52,774
Extracurricular Activities	1,007,101	555,139
Capital Outlay	1,517,082	(132,918)
Debt Service:		-
Principal Retirement	606,320	567,666
Interest and Fiscal Charges	1,120,659	1,118,192
Total Program Disbursements	<u>\$ 31,341,183</u>	<u>\$ 24,997,120</u>

The above schedule clearly shows the dependence upon tax receipts and state subsidies for governmental activities. Only 20 percent of the governmental activities performed by the District are supported through program receipts such as charges for services, grants, contributions, and interest. The remaining 79.5 percent is provided through taxes and entitlements.

The School District Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$30,959,175 and disbursements of \$31,341,183.

Southwest Licking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

The District's governmental funds reported a combined cash fund balance of \$2,293,915 which is \$382,008 lower than last year's cash fund balance total of \$2,675,923. The schedule below indicates the cash fund balances and the total change in fund balances as of June 30, 2004, for all major and nonmajor governmental funds.

	Fund Balances <u>06/30/04</u>	Fund Balances <u>06/30/03</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 426,505	\$ 1,411,180	\$ (984,675)
Debt Service	521,381	209,187	312,194
Permanent Improvement	278,445	273,779	4,666
Building	386,859	81,816	305,043
Food Services	280,347	324,333	(43,986)
Other nonmajor governmental funds	<u>400,378</u>	<u>375,628</u>	<u>24,750</u>
Total	<u>\$ 2,293,915</u>	<u>\$ 2,675,923</u>	<u>\$ (382,008)</u>

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, the School District amended its general fund budget, but not significantly. The School District closely monitors its resources and uses and if necessary, modifies the budgetary documents on a timely basis.

For the general fund, final estimated revenue was \$24,107,923, which was the higher than the original estimates of \$23,589,411.

Food Service Fund

The food services fund, a major governmental fund, had cash receipts of \$893,698 and cash disbursements of \$937,684. The food services fund had a decrease of \$43,986 in cash fund balance from 2003.

Southwest Licking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

Debt Administration

Debt

At June 30, 2004, the School District had \$23,384,988 in bonds outstanding. Due to prudent spending and continuous monitoring of all receipts and expenditures, our bond rating is AAA.

Table 3
Outstanding Debt, at Fiscal Year End

	Governmental Activities 2004	Governmental Activities 2003
1999 School Improvement General Obligation Bonds	\$16,175,000	\$16,665,000
1995 Etna Elementary General Obligation Bond	0	5,625,000
1995 Etna Elementary General Obligation Bond – Refunded	5,559,988	0
HB264 Energy Conservation Bonds	1,650,000	0
Totals	<u>\$23,384,988</u>	<u>\$22,290,000</u>

See note 12 for more detailed information about the School District's debt.

Economic Factors

The District's current five-year forecast is projecting a deficit in fiscal year 2006 through fiscal year 2009. The District has placed an emergency operating levy on the ballot in November 2003, March 2004, and August 2004, all were defeated by voters of the School District. The School District has placed an additional ¾% income tax on the ballot in November 2004. The District's permanent improvement levy expires on December 31, 2003 with the final collection to occur in fiscal year 2005. The School District has placed the renewal on the ballot in November 2004, which was passed by the voters. The ¾% income tax was not passed by the community.

Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

The District is currently working with the Ohio School Facilities Commission and has completed the master plan for the School District. The District is currently part of the Expedited Local Partnership program with the Ohio School Facilities Commission. Since the master plan has been developed and agreed to, any projects completed by the District, that are included in the master plan, will be credited toward the School District's local share of funding for completion of the master plan.

Southwest Licking Local School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited*

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Richard D. Jones, Treasurer/CFO at Southwest Licking Local School District, P.O. Box 180, Etna, Ohio 43018-0180. Or E-Mail at rdjones@laca.org.

Southwest Licking Local School District

Statement of Net Assets - Cash Basis

June 30, 2004

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 2,293,915
<i>Total Assets</i>	<u>2,293,915</u>
Net Assets	
Restricted for:	
Capital Projects	665,304
Debt Service	521,381
Other Purposes	680,725
Unrestricted	<u>426,505</u>
<i>Total Net Assets</i>	<u>\$ 2,293,915</u>

See accompanying notes to the basic financial statements

Southwest Licking Local School District

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2004*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services, Tuition	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 11,793,236	\$ 317,328	\$ 149,929	\$ -	\$ (11,325,979)
Special	2,523,762	71,824	1,234,816	-	(1,217,122)
Vocational	658,846	-	36,438	-	(622,408)
Other	925,031	-	-	-	(925,031)
Support Services:					
Pupils	1,454,212	5,714	93,567	-	(1,354,931)
Instructional Staff	950,621	-	206,122	-	(744,499)
Board of Education	20,369	-	-	-	(20,369)
Administration	2,295,587	49,963	-	-	(2,245,624)
Fiscal	699,523	18,603	-	-	(680,920)
Business	86,162	-	-	-	(86,162)
Operation and Maintenance of Plant	2,339,758	27,207	15,605	-	(2,296,946)
Pupil Transportation	1,924,313	28,499	885,962	27,655	(982,197)
Central	407,673	-	53,259	-	(354,414)
Operation of Non-Instructional Services	73,244	-	93,579	-	20,335
Operation of Food Service	937,684	679,485	205,425	-	(52,774)
Extracurricular Activities	1,007,101	335,904	116,058	-	(555,139)
Capital Outlay	1,517,082	-	-	1,650,000	132,918
Debt Service:					
Principal Retirement	606,320	-	-	38,654	(567,666)
Interest and Fiscal Charges	1,120,659	-	-	2,467	(1,118,192)
Totals	<u>31,341,183</u>	<u>1,534,527</u>	<u>3,090,760</u>	<u>1,718,776</u>	<u>(24,997,120)</u>
General Receipts:					
Property Taxes Levied for:					
					7,876,034
					1,798,256
					678,104
Income Taxes Levied for:					
					3,014,457
Grants and Entitlements not Restricted to					
					11,130,041
					63,443
					54,777
					<u>24,615,112</u>
					(382,008)
					<u>2,675,923</u>
					<u>\$ 2,293,915</u>

See accompanying notes to the basic financial statements

Southwest Licking Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2004

	General	Debt Service	Permanent Improvement	Building	Food Services	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 426,505	\$ 521,381	\$ 278,445	\$ 386,859	\$ 280,347	\$ 400,378	\$ 2,293,915
<i>Total Assets</i>	<u>\$ 426,505</u>	<u>\$ 521,381</u>	<u>\$ 278,445</u>	<u>\$ 386,859</u>	<u>\$ 280,347</u>	<u>\$ 400,378</u>	<u>\$ 2,293,915</u>
Fund Balances							
Reserved for Encumbrances	\$ 87,088	\$ -	\$ 121,894	\$ 386,524	\$ 10,773	\$ 62,537	\$ 668,816
Reserved for Bus Purchases	27,655	-	-	-	-	-	27,655
Reserved for Unclaimed Monies	-	-	-	-	-	16,430	16,430
Undesignated (Deficit), Reported in:							
General Fund	311,762	-	-	-	-	-	311,762
Special Revenue Funds	-	-	-	-	269,574	321,411	590,985
Debt Service Funds	-	521,381	-	-	-	-	521,381
Capital Projects Funds	-	-	156,551	335	-	-	156,886
<i>Total Fund Balances</i>	<u>\$ 426,505</u>	<u>\$ 521,381</u>	<u>\$ 278,445</u>	<u>\$ 386,859</u>	<u>\$ 280,347</u>	<u>\$ 400,378</u>	<u>\$ 2,293,915</u>

14

See accompanying notes to the basic financial statements

Southwest Licking Local School District
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Permanent Improvement	Building	Food Services	Other Governmental Funds	Total Governmental Funds
Receipts:							
Property and Other Local Taxes	\$ 7,876,034	\$ 1,798,257	\$ 678,105	\$ -	\$ -	\$ -	\$ 10,352,396
Income Tax	3,014,457	-	-	-	-	-	3,014,457
Intergovernmental	12,674,346	212,902	90,136	-	205,425	945,890	14,128,699
Interest	46,633	-	1,906	5,350	4,610	4,945	63,444
Tuition and Fees	387,402	-	-	-	-	-	387,402
Rent	26,512	-	-	-	-	-	26,512
Extracurricular Activities	-	-	-	-	-	335,904	335,904
Contributions and Donations	67,708	-	-	-	-	25,837	93,545
Charges for Services	105,225	-	-	-	679,485	-	784,710
Miscellaneous	21,801	-	50	-	4,178	90,409	116,438
<i>Total Receipts</i>	<u>24,220,118</u>	<u>2,011,159</u>	<u>770,197</u>	<u>5,350</u>	<u>893,698</u>	<u>1,402,985</u>	<u>29,303,507</u>
Disbursements:							
Current:							
Instruction:							
Regular	11,352,333	-	285,383	-	-	155,520	11,793,236
Special	2,128,293	-	-	-	-	395,469	2,523,762
Vocational	658,846	-	-	-	-	-	658,846
Other	925,031	-	-	-	-	-	925,031
Support Services:							
Pupils	1,426,635	-	-	-	-	27,577	1,454,212
Instructional Staff	739,943	-	8,262	-	-	202,416	950,621
Board of Education	20,369	-	-	-	-	-	20,369
Administration	2,295,587	-	-	-	-	-	2,295,587
Fiscal	656,538	29,780	13,205	-	-	-	699,523
Business	78,036	-	8,126	-	-	-	86,162
Operation and Maintenance of Plant	2,313,236	-	26,522	-	-	-	2,339,758
Pupil Transportation	1,699,383	-	224,657	-	-	273	1,924,313
Central	319,615	-	42,064	-	-	45,994	407,673
Operation of Non-Instructional Services	-	-	-	-	-	73,244	73,244
Operation of Food Services	-	-	-	-	937,684	-	937,684
Extracurricular Activities	528,997	-	362	-	-	477,742	1,007,101
Facilities Acquisition and Construction	9,825	-	156,950	1,350,307	-	-	1,517,082
Debt Service:							
Principal Retirement	51,320	555,000	-	-	-	-	606,320
Interest and Fiscal Charges	3,508	1,117,151	-	-	-	-	1,120,659
<i>Total Disbursements</i>	<u>25,207,495</u>	<u>1,701,931</u>	<u>765,531</u>	<u>1,350,307</u>	<u>937,684</u>	<u>1,378,235</u>	<u>31,341,183</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(987,377)</u>	<u>309,228</u>	<u>4,666</u>	<u>(1,344,957)</u>	<u>(43,986)</u>	<u>24,750</u>	<u>(2,037,676)</u>

Southwest Licking Local School District
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Permanent Improvement	Building	Food Services	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)							
Proceeds from Sale of Fixed Assets	2,702	-	-	-	-		2,702
Proceeds from Sale of Bonds	-	-	-	1,650,000	-	-	1,650,000
Premium and Accrued Interest on Bonds Sold	-	2,966	-	-	-	-	2,966
<i>Total Other Financing Sources and Uses</i>	2,702	2,966	-	1,650,000	-	-	1,655,668
<i>Net Change in Fund Balances</i>	(984,675)	312,194	4,666	305,043	(43,986)	24,750	(382,008)
<i>Fund Balance at Beginning of Year</i>	1,411,180	209,187	273,779	81,816	324,333	375,628	2,675,923
<i>Fund Balance at End of Year</i>	<u>\$ 426,505</u>	<u>\$ 521,381</u>	<u>\$ 278,445</u>	<u>\$ 386,859</u>	<u>\$ 280,347</u>	<u>\$ 400,378</u>	<u>\$ 2,293,915</u>

Southwest Licking Local School District

Statement of Cash Receipts, Disbursements and Encumbrances Compared With Expenditure Authority - Budget and Actual

General Fund

For the Fiscal Year Ended June 30, 2004

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$ 7,453,685	\$ 7,898,524	\$ 7,876,034	\$ (22,490)
Income Tax	3,008,786	3,008,786	3,014,457	5,671
Intergovernmental	12,593,360	12,569,422	12,674,346	104,924
Interest	100,000	50,000	46,633	(3,367)
Tuition and Fees	309,330	342,463	387,402	44,939
Rent	10,000	20,000	26,512	6,512
Contributions and Donations	58,000	115,277	67,708	(47,569)
Customer Sales and Services	41,200	84,186	105,225	21,039
Miscellaneous	14,050	16,563	21,801	5,238
<i>Total Receipts</i>	<u>23,588,411</u>	<u>24,105,221</u>	<u>24,220,118</u>	<u>114,897</u>
Disbursements:				
Current:				
Instruction:				
Regular	11,373,528	11,382,831	11,361,908	20,923
Special	2,068,114	2,132,426	2,145,294	(12,868)
Vocational	633,756	673,626	666,184	7,442
Other	470,000	938,131	937,921	210
Support Services:				
Pupils	1,587,087	1,442,114	1,437,691	4,423
Instructional Staff	728,119	757,004	749,106	7,898
Board of Education	35,768	22,298	20,369	1,929
Administration	2,599,125	2,302,106	2,299,480	2,626
Fiscal	683,916	658,360	656,623	1,737
Business	56,827	90,116	86,740	3,376
Operation and Maintenance of Plant	2,577,444	2,347,558	2,320,886	26,672
Pupil Transportation	1,626,423	1,742,789	1,699,383	43,406
Central	337,570	353,772	336,124	17,648
Extracurricular Activities	584,754	551,057	528,997	22,060
Capital Outlay	0	9,825	9,825	0
Debt Service:				
Principal Retirement	50,000	51,320	51,320	0
Interest and Fiscal Charges	4,700	4,700	3,508	1,192
<i>Total Disbursements</i>	<u>25,417,131</u>	<u>25,460,033</u>	<u>25,311,359</u>	<u>148,674</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,828,720)</u>	<u>(1,354,812)</u>	<u>(1,091,241)</u>	<u>263,571</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	1,000	2,702	2,702	0
Advances Out	(31,449)	0	0	0
<i>Total Other Financing Sources and Uses</i>	<u>(30,449)</u>	<u>2,702</u>	<u>2,702</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(1,859,169)</u>	<u>(1,352,110)</u>	<u>(1,088,539)</u>	<u>263,571</u>
<i>Fund Balance (Deficit) at Beginning of Year</i>	1,211,911	1,211,911	1,211,911	0
<i>Prior Year Encumbrances Appropriated</i>	<u>216,044</u>	<u>216,044</u>	<u>216,044</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (431,214)</u>	<u>\$ 75,845</u>	<u>\$ 339,416</u>	<u>\$ 263,571</u>

See accompanying notes to the basic financial statements

Southwest Licking Local School District

*Statement of Cash Receipts, Disbursements and Encumbrances Compared With Expenditure Authority - Budget and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2004*

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts:				
Intergovernmental	\$ 145,000	\$ 145,000	\$ 205,425	\$ 60,425
Interest	8,000	8,000	4,610	(3,390)
Customer Sales and Services	713,250	713,250	679,485	(33,765)
Miscellaneous	500	500	4,178	3,678
<i>Total Receipts</i>	<u>866,750</u>	<u>866,750</u>	<u>893,698</u>	<u>26,948</u>
Disbursements:				
Current:				
Support Services:				
Operation of Food Services	1,036,695	1,174,294	937,684	236,610
<i>Total Disbursements</i>	<u>1,036,695</u>	<u>1,174,294</u>	<u>937,684</u>	<u>236,610</u>
<i>Net Change in Fund Balances</i>	(169,945)	(307,544)	(43,986)	263,558
<i>Fund Balance at Beginning of Year</i>	324,333	324,333	324,333	-
<i>Fund Balance at Beginning of Year</i>	<u>16,789</u>	<u>16,789</u>	<u>16,789</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 171,177</u>	<u>\$ 33,578</u>	<u>\$ 297,136</u>	<u>\$ 263,558</u>

See accompanying notes to the basic financial statements

Southwest Licking Local School District

Statement of Net Assets - Cash Basis

Fiduciary Funds

June 30, 2004

	<u>Agency</u>
Assets	
Cash and Cash Equivalents	\$ 15,935
<i>Total Assets</i>	<u> 15,935</u>
Net Assets	
Unrestricted	<u> 15,935</u>
<i>Total Net Assets</i>	<u>\$ 15,935</u>

See accompanying notes to the basic financial statements

Southwest Licking Local School District
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004

	Agency
Additions:	
Interest	\$ 238
Extracurricular Activities	45,847
Contributions and Donations	16,443
Miscellaneous	-
	-
<i>Total Additions</i>	62,528
Deductions:	
Supplies and Materials	1,487
Extracurricular Activities	53,621
	53,621
<i>Total Deductions</i>	55,108
<i>Change in Net Assets</i>	7,420
<i>Net Assets - Beginning of Year</i>	8,515
<i>Net Assets - End of Year</i>	\$ 15,935

See accompanying notes to the basic financial statements

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1953 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 65 square miles. It is located in Licking County, and includes all of the City of Pataskala, the Village of Kirkersville and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The School District is staffed by 137 classified employees, 230 certificated full-time teaching personnel, and 13 administrative employees who provide services to 3,499 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one support service building.

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 School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

In March of 2003, the Board of Education, by resolution, created the Southwest Licking Digital Academy pursuant to the laws of the State of Ohio. The digital academy is a legally separate entity which is governed by a five member board. The School District appoints three of the five appointed members. The digital academy was created to provide a computer based education to students within the Southwest Licking Local School District. The digital academy board may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The digital academy will be presented as a discretely presented component unit once it begins operations since the School District appoints the majority of the academy's board. However, due to the insignificance of the financial activity of the digital academy in relation to the Southwest Licking Local School District's financial statements, the operations of the digital academy have not been presented within the financial statements.

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

The following activities are included within the reporting entity:

Private School - Liberty Christian Academy, a private school, operates within the School District's boundaries. Current State legislation provides funding to the private school. This money is received and disbursed on behalf of the private school by the Treasurer of the School District, as directed by the private school in accordance with State rules and regulations. This activity is reflected in a special revenue fund for financial reporting purposes.

The School District participates in four jointly governed organizations, two insurance purchasing pools, and is associated with one related organization. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, the Ohio School Boards Association Workers Compensation Group Rating Plan, the Ohio School Plan, and the Pataskala Public Library. These organizations are presented in Notes 14, 15, and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the School District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of the State of Ohio. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State of Ohio.

B. Basis of Presentation

The School District's basic financial statements prepared on the cash basis of accounting include a government-wide statement, including a cash basis statement of net assets and a statement of activities, and cash basis fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets - cash basis and the statement of activities - cash basis, display information about the School 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 School District at fiscal year end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the School District's governmental activities. Direct disbursements are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the School District. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the School District.

Southwest Licking Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Fund Financial Statements - During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. The following are descriptions of the School District's major governmental funds:

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund The debt service fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest, and related costs.

Permanent Improvement Fund The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

Building Fund The building fund is used to account for the receipts and disbursements related to all special bond funds in the district.

Food Services Fund The food services fund is used to record financial transactions related to food service operations.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Fund Types Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no proprietary funds.

Fiduciary Fund Type 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

D. Cash and Cash Equivalents

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

During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements and certificates of deposit.

Repurchase agreements and certificates of deposit are reported at cost.

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, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the general fund during fiscal year 2004 amounted to \$46,633, which includes \$16,811 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on disbursements at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The treasurer has been authorized to allocate Board appropriations to the function and object level within each fund. The general and food services fund "Statement of Receipts, Disbursements and Encumbrances Compared with Expenditure Authority has been presented at the function level for comparative purposes.

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

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

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

F. Capital Assets

Capital assets are not recognized in any of the School District's funds in accordance with the cash basis of accounting. Instead, capital acquisition and construction costs are reflected as disbursements in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

G. Compensated Absences

Employees are entitled to vacation, sick, and personal leave benefits that are recorded as a disbursement when incurred. A liability for these unused benefits is not recorded on the School District's cash basis financial statements.

H. Net Assets

Net assets are recorded in conjunction with assets recorded by the District. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and state and federal grants restricted to disbursements for specified purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Neither type of transaction occurred in fiscal year 2004.

Note 3 – Changes in Accounting Principles

Changes in Accounting Principles For fiscal year 2004, the School District presented the financial statement in the format prescribed by GASB 34, however, the financial statements are presented on the cash basis of accounting. The beginning net assets and fund balances are presented on the cash basis.

Note 4 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

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

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

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

Southwest Licking Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, 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 securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

The carrying amount of cash and investments at June 30, 2004 was as follows:

Deposits:	
Demand deposits	\$ 363,860
Investments:	
Federal Agency Securities	550,646
Repurchase Agreement	63,282
STAR Ohio	<u>1,332,062</u>
Total investments	<u>1,945,990</u>
Total deposits and investments	<u>\$ 2,309,850</u>

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$363,860 and the bank balance was \$1,003,044. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$703,044 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Category 3	Reported Amount	Fair Value
Federal Agency Securities	\$0	\$550,846	\$0	\$550,846	\$550,846
Repurchase Agreements	\$0	\$0	\$63,282	\$63,282	\$63,282
Total	\$0	\$550,846	\$63,282		
Investments in STAR Ohio				\$1,332,062	\$1,332,062
Total Investments				\$1,946,190	\$1,946,190

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2004 represent the collection of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2004 represent the collection of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien on December 31, 2003, were levied after April 1, 2003, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar 2004 (other than public utility property) represent the collection of calendar year 2004 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2003 tangible personal property tax settlement from Licking County was not received until July of 2004.

The School District receives property taxes from Licking and Fairfield County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$389,199,180	94.13%	\$407,788,740	93.79%
Public Utility Personal	16,089,480	3.89%	17,492,840	4.02%
Tangible Personal Property	8,181,690	1.98%	9,506,430	2.19%
Total	<u>\$413,470,350</u>	<u>100.00%</u>	<u>\$434,788,010</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.90		\$33.70	

Southwest Licking Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 6 – Income Tax

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on February 15, 1990 and remains as a continuous levy. 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

Note 7 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Indiana Insurance for property, builder’s risk, liability and fleet insurances.

Coverage provided is as follows:

Building and Contents-replacement cost (\$5,000 deductible)	\$60,453,400
Accounts Receivable (\$5,000 deductible)	100,000
Equipment (\$250 deductible)	50,000
Extra Expense	300,000
Employee Dishonesty (\$10,000 deductible)	1,000,000
Fleet Insurance	1,000,000
Educational General Liability	
Per occurrence	1,000,000
Aggregate per year	2,000,000
Employee Benefits Liability	
Per occurrence	1,000,000
Aggregate per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2004.

B. Workers Compensation

For fiscal year 2004, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School 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. Participation in the GRP is limited to school districts and libraries that can meet the GRP’s selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administration costs and actuarial services to the GRP.

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 8 - Employee Benefits

A. Health Care Benefits

The School District provides health and drug insurance for all eligible employees through Medical Mutual of Ohio. The School District pays medical and drug monthly premiums for staff for family and single coverage.

The School District also provides dental insurance for all eligible employees through Ameritas Life Insurance Company. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Ameritas Life Insurance Company. Premiums are paid from the same funds that pay the employees' salaries.

B. Retirement Incentive

The School District offers a \$10,000 retirement incentive to certified employees that retire as soon as the employee is eligible with 30 years of experience. A \$7,500 retirement incentive is given to certified employees that pass up the first year of eligibility but elect to retire in the subsequent year. The retirement incentive is paid out to employees in January following the date of retirement. In addition to the negotiated \$10,000 retirement incentive to certified employees, the Board of Education offered an additional retirement incentive of \$25,000. Only certificated staff members who are eligible to retire prior to September 1, 2004 were eligible for this additional retirement incentive. The \$25,000 will be paid out in two 50% installments: 50% in July, 2005, and 50% in July, 2006.

Note 9 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$333,107, \$297,425, and \$168,085, respectively; 48.61 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

Southwest Licking Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$1,618,022, \$1,732,056, and \$1,061,699, respectively; 85.85 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$15,588 made by the School District and \$38,171 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, two members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 10 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$126,257 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2003, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$249,794.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 11 – Lease Obligations

The School District has several capital leases for office equipment. In addition, the School District has a capital lease for exercise equipment purchased through the National School Fitness Foundation. The principal and interest payments are reflected as debt service expenditures paid from the general fund. The agreements provide for minimum annual rental payments as follows:

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Fiscal Year Ending June 30,	Amount
2005	175,223
2006	124,106
2007	29,197
2008	2,155
Total Minimum Lease Payments	\$330,681
Less: Amount Representing Interest	(46,543)
Present Value of Minimum Lease Payment	\$284,138

Note 12 - Long Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 6/30/2003	Additions	Reductions	Outstanding 6/30/2004
Governmental Activities				
Energy Conservation Bonds 2003 1.2% - 4.1%	\$0	\$1,650,000	\$0	\$1,650,000
Etna Elementary School Improvement Bond 1995 4.3% - 5.75%	5,625,000	-	(5,625,000)	-
Etna Elementary School Improvement Bond - Refunding 2003 1.2% - 4.4%	-	5,559,988	-	5,559,988
School Improvement Bond 1999 3.1% - 5.15%	16,665,000	0	(490,000)	16,175,000
Total Governmental Activities Long-Term Liabilities	\$22,290,000	\$7,209,988	(\$6,115,000)	\$23,384,988

On April 1, 1995, the School District issued School Improvement Bonds for \$6,638,000, with a varying interest rate of 4.3 to 5.75%, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2023. The debt is being repaid by tax receipts through the bond retirement fund. On December 9, 2003, the School District refunded the 1995 bonds issue and issued new bonds with varying interest rates of 1.2% - 4.4%. Proceeds of \$5,559,988 from the issuance were used to purchase securities which were placed in escrow to pay off the existing bonds as they mature. In addition, the School District paid \$65,000 which is recorded as principal retirement in the debt service fund to retire the outstanding debt.

On March 15, 1999, the School District issued School Facilities Construction and Improvement Bonds for \$19,120,000, with a varying interest rate of 3.1 to 5.15%, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2027. The debt is being repaid by tax receipts through the bond retirement fund.

Southwest Licking Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

On December 9, 2003, the School District issued unvoted Energy Conservation Bonds for \$1,650,000, with a varying interest rate of 1.2% - 4.1%, for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The bonds were issued for a fifteen year period with final maturity during fiscal year 2019. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations.

The School District's overall legal debt margin was \$15,265,633, with an unvoted debt margin of \$413,470 at June 30, 2003.

Debt service requirements to maturity on the bonds, including \$17,247,070 in interest, are as follows:

School Improvement Bonds					
Fiscal Year Ending June 30,	Issued in Fiscal Year 1999		Issued in Fiscal Year 2004		Total
	Principal	Interest	Principal	Interest	
2005	575,000	811,353	205,000	174,592	1,765,945
2006	665,000	786,840	220,000	171,162	1,843,002
2007	90,000	771,695	255,000	166,412	1,283,107
2008	135,000	767,015	275,000	160,769	1,337,784
2009	160,000	757,550	280,000	153,619	1,351,169
2010-2014	1,455,000	2,927,956	2,029,988	923,137	7,336,081
2015-2019	4,260,000	2,975,710	1,400,000	1,457,150	10,092,860
2020-2024	3,835,000	1,685,129	895,000	176,355	6,591,484
2025-2027	5,000,000	565,225	0	0	5,565,225
Total	<u>\$16,175,000</u>	<u>\$12,048,473</u>	<u>\$5,559,988</u>	<u>\$3,383,196</u>	<u>\$37,166,657</u>

HB 264 Energy Conservation Bonds			
Fiscal Year Ending June 30,	Issued in Fiscal Year 2004		
	Principal	Interest	Total
2005	95,000	50,282	145,282
2006	90,000	48,812	138,812
2007	90,000	47,012	137,012
2008	100,000	44,987	144,987
2009	100,000	42,487	142,487
2010-2014	515,000	206,064	721,064
2015-2019	660,000	68,473	728,473
Total	<u>\$1,650,000</u>	<u>\$508,117</u>	<u>\$2,158,117</u>

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 13 – Contractual Commitments

Contractor	Purchase Commitments	Amounts Paid as of 06/30/04	Amounts Remaining on Contracts
<i>Building Construction Fund</i>			
Honeywell Inc.	\$1,646,893	\$1,268,114	\$378,779
Capital Aluminum & Glass	7,745	0	7,745
Total	<u>\$1,654,638</u>	<u>\$1,268,114</u>	<u>\$386,524</u>

Note 14 - Jointly Governed Organizations

A. Licking Area Computer Association

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services fourteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts.

The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2004 were \$117,066. Financial statements for LACA can be obtained from their fiscal agent the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

B. Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2004 was \$1,373. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

C. Central Ohio Special Education Regional Resource Center

The Central Ohio Educational Resource Center (COSERRC) provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. There is no financial commitment by the School District for its participation in the projects. The School District has one representative on the governing board. The School District did not make any contributions to COSERRC during fiscal year 2004. Further information may be obtained by contacting the Central Ohio Special Education Regional Resource Center at 470 Glenmont Avenue, Columbus, Ohio 43214.

D. School Study Council of Ohio

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. School districts maintain active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. School districts that elect to be associate members are entitled to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2004, the Board consisted of fourteen members. In fiscal year 2004, the School District did not make any contributions to the School Study Council of Ohio. Financial information may be obtained by contacting the School Study Council of Ohio at 4807 Evanswood Drive, Suite 300, Columbus, Ohio 43229.

Note 15 – Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School 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.

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 16 – Related Organization

Pataskala Public Library

The Pataskala Public Library is statutorily created as a separate and distinct political subdivision. Seven trustees of the School District Library are appointed by the School District. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Due process is required to remove board members. No subsidies are provided by the School District.

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement 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 School District at June 30, 2004.

B. Litigation

The School District is currently not a party to any material legal proceedings.

Note 18 - Set asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of 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 improvements. Disclosure of this information is required by State statute.

Southwest Licking Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	Textbooks	Capital Improvements
Set-aside Reserve Balance as of June 30, 2003	(\$702,911)	(\$18,996,425)
Current Year Set-aside Requirement	481,627	481,627
Current Year Offsets (HB 264)	0	(1,650,000)
Qualifying Disbursements	(487,439)	0
Total	(\$708,723)	(\$20,164,798)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$708,723)	(\$20,164,798)

The School District issued \$19,120,000 in bonds in fiscal year 1999 to provide for renovations of Pataskala and Kirkersville Elementary, the middle and high schools. In addition, the School District issued \$1,650,000 in HB 264 Energy Conversation Bonds in fiscal year 2004 that was used to make energy saving capital improvements throughout the District. These amounts are an allowable offset to future years for the capital improvements and maintenance set-aside. The negative amount is therefore presented as being carried forward to the next fiscal year.

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. These extra amounts in the textbooks and capital acquisition set-asides may be used to reduce the set-aside requirements of future years.

Note 19 – State School Funding

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 decision 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 School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

Note 20 – Going Concern Issue

The accompanying financial statements have been prepared on the cash basis of accounting. The School District is required to prepare and file with the Superintendent of the Ohio Department of Education a 5 year forecast. The School District is projecting a \$1,213,869 deficit in fiscal year 2006 and \$2,568,505 deficit in 2007. In November 2003, March 2004 and August 2004, the voters of the School District did not pass an operating levy. The School District is working with the Ohio Department of Education and must have a plan in place by January 31, 2005 to reduce the fiscal year 2006 deficit to zero or a positive balance.

SUPPLEMENTAL DATA

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A) (B) Food Distribution	10.550	N/A	\$ -	\$ 56,370	\$ -	\$ 56,370
(A) (C) School Breakfast Program	10.553	048041-05PU-2003	9,132		9,132	
(A) (C) School Breakfast Program	10.553	048041-05PU-2004	17,304		17,304	
(A) (C) National School Lunch	10.555	048041-LLP4-2003	60,374		60,374	
(A) (C) National School Lunch	10.555	048041-LLP4-2004	111,384		111,384	
Total U.S. Department of Agriculture and Nutrition Cluster			<u>198,194</u>	<u>56,370</u>	<u>198,194</u>	<u>56,370</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	048041-C1-S1-2003	53,312		69,536	
Title I - Grants to Local Educational Agencies	84.010	048041-C1-S1-2004	180,226		180,226	
Total Title I			<u>233,538</u>		<u>249,762</u>	
Special Education: Grants to States	84.027	048041-6B-SF-2003P	92,704		84,661	
Special Education: Grants to States	84.027	048041-6B-SF-2004	263,703		255,054	
Total Special Education: Grants to States			<u>356,407</u>		<u>339,715</u>	
Safe and Drug-Free Schools	84.186	048041-DR-S1-2003	10,935		8,202	
Safe and Drug-Free Schools	84.186	048041-DR-S1-2004	11,004		7,002	
Total Safe and Drug-Free Schools			<u>21,939</u>		<u>15,204</u>	
Eisenhower Professional Development	84.281	048041-MS-S1-2002	-		627	
Innovative Education Program Strategies	84.298	048041-C2-S1-2003	19,084		-	
Innovative Education Program Strategies	84.298	048041-C2-S1-2004	22,285		17,453	
Total Innovative Education Program Strategies			<u>41,369</u>		<u>17,453</u>	
(E) Technology Literacy Challenge	84.318	048041-TJ-S1-2003	(1,260)		-	
Technology Literacy Challenge	84.318	048041-TJ-S1-2004	2,154		300	
Total Technology Literacy Challenge			<u>894</u>		<u>300</u>	
Improving Teacher Quality	84.367	048041-TR-S1-2003	10,778		20,911	
Improving Teacher Quality	84.367	048041-TR-S1-2004	94,061		87,200	
Total Improving Teacher Quality			<u>104,839</u>		<u>108,111</u>	
Total U.S. Department of Education			<u>758,986</u>		<u>731,172</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System Program (CAFS)	93.667	N/A	60,419		60,419	
Total Federal Financial Assistance			<u>\$ 1,017,599</u>	<u>\$ 56,370</u>	<u>\$ 989,785</u>	<u>\$ 56,370</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(D) This schedule was prepared on the cash basis of accounting.
(E) Monies refunded to the Ohio Department of Education due to the expiration of the period of availability

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Southwest Licking Local School District
927 South Street
Etna, Ohio 43018-0180

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Licking Local School District, Licking County, (the “District”) as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements and have issued our report thereon dated September 10, 2004, wherein we noted the District prepares its financial statements on the cash basis a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 opinions 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated September 10, 2004.

Board of Education
Southwest Licking Local School District

Compliance

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-SWLSD-001. We also noted other matters which we have reported to management of the District in a separate letter dated September 10, 2004.

This report is intended solely for the information and use of management and the Board of Education of the Southwest Licking Local School District, 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.

Trimble, Julian & Grube, Inc.
September 10, 2004

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance in Accordance With *OMB Circular A-133*

Board of Education
Southwest Licking Local School District
927 South Street
Etna, Ohio 43018-0180

Compliance

We have audited the compliance of Southwest Licking Local School District, Licking County (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 each major federal program for the fiscal year ended June 30, 2004, wherein we noted the District prepares its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District’s major federal programs are 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 Southwest Licking Local School 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, *Audit 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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.

Board of Education
Southwest Licking Local School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 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 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 for the information and use of management, the Board of Education of Southwest Licking Local School District, 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.

Trimble, Julian & Grube, Inc.
September 10, 2004

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Improving Teacher Quality CFDA #84.367, Nutrition Cluster: Food Distribution CFDA #10.550; School Breakfast Program CFDA #10.553; National School Lunch CFDA #10.555.
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

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

Finding Number	2004-SWLSD-001
----------------	----------------

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, as described in Note 3, the District prepares its financial statements on the basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements omit assets, liabilities, and fund equities, and disclosures that, while material, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

We recommend that the District file their financial report in accordance with GAAP. The District may find it beneficial to consult with an accounting firm to compile or assist them in compiling their financial statements in accordance with GAAP.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid
2003-SWLLSD-001	Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.	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

**SOUTHWEST LICKING 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 10, 2005**