



**Auditor of State
Betty Montgomery**

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Financial Statements:	
Combined Balance Sheet - All Governmental Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.....	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types	7
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Proprietary Fund Type	11
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type	12
Combined Statement of Cash Flows - Proprietary Fund Type.....	13
Notes to the General-Purpose Financial Statements	15
Schedule of Federal Awards Receipts and Expenditures	45
Notes to Schedule of Federal Awards Receipts and Expenditures.....	46
Independent Accountant's Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	47
Independent Accountants' Report on Compliance With Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance With OMB Circular A-133	49
Schedule of Findings.....	51

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Licking Heights Local School District
Licking County
6539 Summit Road S.W.
Summit Station, Ohio 43073-0027

We have audited the accompanying general-purpose financial statements of the Licking Heights Local School District, Licking County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Licking Heights Local School District, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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Betty Montgomery
Auditor of State

October 27, 2003

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Licking Heights Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$1,638,312	\$100,796	\$998,036	\$2,666,618
Cash and Cash Equivalents with Fiscal and Escrow Agents	0	0	6,914	27,275
Receivables:				
Property Taxes	6,757,629	0	2,338,624	27,026
Accounts	14,604	0	0	0
Intergovernmental	47,613	689	0	0
Accrued Interest	4,455	0	0	0
Due from Other Funds	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Inventory Held for Resale	0	0	0	0
Prepaid Items	10,430	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	4,451	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u>\$8,477,494</u>	<u>\$101,485</u>	<u>\$3,343,574</u>	<u>\$2,720,919</u>
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$113,193	\$2,875	\$0	\$5,723
Contracts Payable	0	0	0	294,189
Retainage Payable	0	0	0	454,086
Accrued Salaries and Benefits Payable	927,822	14,384	0	0
Intergovernmental Payable	237,430	2,122	822	386
Due to Other Funds	0	110	0	0
Due to Students	0	0	0	0
Deferred Revenue	6,023,569	0	2,089,625	27,026
Accrued Interest Payable	0	0	0	2,897
Matured Interest Payable	0	0	6,914	0
Compensated Absences Payable	33,806	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Notes Payable	0	0	0	773,992
General Obligation Bonds Payable	0	0	0	0
Rebatable Arbitrage Payable	0	0	0	0
Total Liabilities	<u>7,335,820</u>	<u>19,491</u>	<u>2,097,361</u>	<u>1,558,299</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	152,275	4,868	0	746,838
Reserved for Bus Purchases	4,451	0	0	0
Reserved for Property Taxes	650,467	0	229,489	0
Unreserved	334,481	77,126	1,016,724	415,782
Total Fund Equity and Other Credits	<u>1,141,674</u>	<u>81,994</u>	<u>1,246,213</u>	<u>1,162,620</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$8,477,494</u>	<u>\$101,485</u>	<u>\$3,343,574</u>	<u>\$2,720,919</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$76,201	\$29,908	\$0	\$0	\$5,509,871
0	0	0	0	34,189
0	0	0	0	9,123,279
18	0	0	0	14,622
14,990	0	0	0	63,292
0	0	0	0	4,455
110	0	0	0	110
2,256	0	0	0	2,256
10,697	0	0	0	10,697
0	0	0	0	10,430
0	0	0	0	4,451
62,942	0	35,518,501	0	35,581,443
0	0	0	1,246,213	1,246,213
0	0	0	23,434,299	23,434,299
<u>\$167,214</u>	<u>\$29,908</u>	<u>\$35,518,501</u>	<u>\$24,680,512</u>	<u>\$75,039,607</u>
\$3,587	\$0	\$0	\$0	\$125,378
0	0	0	0	294,189
0	0	0	0	454,086
29,425	0	0	0	971,631
21,576	0	0	106,288	368,624
0	0	0	0	110
0	29,908	0	0	29,908
0	0	0	0	8,140,220
0	0	0	0	2,897
0	0	0	0	6,914
7,473	0	0	276,858	318,137
0	0	0	121,503	121,503
0	0	0	0	773,992
0	0	0	23,946,785	23,946,785
0	0	0	229,078	229,078
<u>62,061</u>	<u>29,908</u>	<u>0</u>	<u>24,680,512</u>	<u>35,783,452</u>
0	0	35,518,501	0	35,518,501
47,132	0	0	0	47,132
58,021	0	0	0	58,021
0	0	0	0	903,981
0	0	0	0	4,451
0	0	0	0	879,956
0	0	0	0	1,844,113
<u>105,153</u>	<u>0</u>	<u>35,518,501</u>	<u>0</u>	<u>39,256,155</u>
<u>\$167,214</u>	<u>\$29,908</u>	<u>\$35,518,501</u>	<u>\$24,680,512</u>	<u>\$75,039,607</u>

Licking Heights Local School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types			Capital Projects	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		
Revenues:					
Property Taxes	\$5,889,636	\$0	\$2,132,210	\$22,633	\$8,044,479
Intergovernmental	4,232,236	319,008	244,297	19,248	4,814,789
Interest	73,218	0	0	104,428	177,646
Tuition and Fees	150,844	0	0	0	150,844
Extracurricular Activities	0	116,940	0	0	116,940
Gifts and Donations	17,250	7,448	0	0	24,698
Miscellaneous	33,518	314	0	8,469	42,301
Total Revenues	10,396,702	443,710	2,376,507	154,778	13,371,697
Expenditures:					
Current:					
Instruction:					
Regular	5,021,573	54,432	0	17,333	5,093,338
Special	1,102,476	113,662	0	0	1,216,138
Vocational	199,404	625	0	0	200,029
Support Services:					
Pupils	428,469	90,947	0	0	519,416
Instructional Staff	499,499	53,200	0	0	552,699
Board of Education	31,340	0	0	0	31,340
Administration	1,028,331	25,070	0	0	1,053,401
Fiscal	326,771	0	31,969	0	358,740
Operation and Maintenance of Plant	939,564	1,025	0	0	940,589
Pupil Transportation	853,757	4,349	0	0	858,106
Central	47,093	0	0	0	47,093
Extracurricular Activities	214,626	126,388	0	0	341,014
Capital Outlay	0	0	0	10,008,603	10,008,603
Debt Service:					
Principal Retirement	26,627	0	670,000	0	696,627
Interest and Fiscal Charges	6,028	0	1,325,764	21,865	1,353,657
Total Expenditures	10,725,558	469,698	2,027,733	10,047,801	23,270,790
Excess of Revenues Over (Under) Expenditures	(328,856)	(25,988)	348,774	(9,893,023)	(9,899,093)
Other Financing Source:					
Inception of Capital Lease	118,439	0	0	0	118,439
Excess of Revenues and Other Financing Source Over (Under) Expenditures	(210,417)	(25,988)	348,774	(9,893,023)	(9,780,654)
Fund Balances at Beginning of Year	1,352,091	107,982	897,439	11,055,643	13,413,155
Fund Balances at End of Year	<u>\$1,141,674</u>	<u>\$81,994</u>	<u>\$1,246,213</u>	<u>\$1,162,620</u>	<u>\$3,632,501</u>

See accompanying notes to the general purpose financial statements

Licking Heights Local School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Property Taxes	\$5,789,513	\$5,789,513	\$0
Intergovernmental	4,200,016	4,200,016	0
Interest	66,673	65,972	(701)
Tuition and Fees	156,710	156,761	51
Extracurricular Activities	0	0	0
Gifts and Donations	17,250	17,250	0
Miscellaneous	50,394	50,559	165
Total Revenues	10,280,556	10,280,071	(485)
Expenditures:			
Current:			
Instruction:			
Regular	4,936,219	4,781,485	154,734
Special	1,131,017	1,075,474	55,543
Vocational	201,509	195,531	5,978
Other	152,979	151,990	989
Support Services:			
Pupils	450,785	421,524	29,261
Instructional Staff	532,884	502,772	30,112
Board of Education	38,159	32,710	5,449
Administration	1,042,521	1,016,708	25,813
Fiscal	345,841	330,326	15,515
Operation and Maintenance of Plant	1,123,668	987,237	136,431
Pupil Transportation	834,706	786,046	48,660
Central	53,116	47,093	6,023
Extracurricular Activities	228,762	212,687	16,075
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	11,072,166	10,541,583	530,583
Excess of Revenues Under Expenditures	(791,610)	(261,512)	530,098
Other Financing Sources (Uses):			
Proceeds from Sale of Notes	0	0	0
Advances Out	(50,000)	0	50,000
Operating Transfers Out	(4,000)	0	4,000
Total Other Financing Sources (Uses)	(54,000)	0	54,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(845,610)	(261,512)	584,098
Fund Balances at Beginning of Year	1,499,430	1,499,430	0
Prior Year Encumbrances Appropriated	183,246	183,246	0
Fund Balances at End of Year	\$837,066	\$1,421,164	\$584,098

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Licking Heights Local School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003
 (Continued)

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$0	\$0	\$0
Intergovernmental	319,007	318,319	(688)
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	116,448	117,254	806
Gifts and Donations	7,398	7,448	50
Miscellaneous	314	314	0
Total Revenues	443,167	443,335	168
Expenditures:			
Current:			
Instruction:			
Regular	53,474	50,340	3,134
Special	115,065	102,229	12,836
Vocational	688	625	63
Other	5,000	4,500	500
Support Services:			
Pupils	91,172	90,947	225
Instructional Staff	55,161	53,200	1,961
Board of Education	0	0	0
Administration	25,801	24,782	1,019
Fiscal	0	0	0
Operation and Maintenance of Plant	1,025	1,025	0
Pupil Transportation	15,349	4,349	11,000
Central	0	0	0
Extracurricular Activities	148,916	131,446	17,470
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	511,651	463,443	48,208
Excess of Revenues Under Expenditures	(68,484)	(20,108)	48,376
Other Financing Sources (Uses):			
Proceeds from Sale of Notes	0	0	0
Advances Out	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(68,484)	(20,108)	48,376
Fund Balances at Beginning of Year	104,543	104,543	0
Prior Year Encumbrances Appropriated	8,509	8,509	0
Fund Balances at End of Year	\$44,568	\$92,944	\$48,376

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,142,077	\$2,142,077	\$0	\$0	\$0	\$0
244,297	244,297	0	19,248	19,248	0
0	0	0	109,551	104,428	(5,123)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	8,469	8,469	0
<u>2,386,374</u>	<u>2,386,374</u>	<u>0</u>	<u>137,268</u>	<u>132,145</u>	<u>(5,123)</u>
0	0	0	19,248	19,248	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	18,533	18,533	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
35,200	31,584	3,616	0	0	0
0	0	0	188,521	188,521	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	13,780,242	12,875,265	904,977
1,443,992	1,443,992	0	0	0	0
1,348,842	1,348,842	0	0	0	0
<u>2,828,034</u>	<u>2,824,418</u>	<u>3,616</u>	<u>14,006,544</u>	<u>13,101,567</u>	<u>904,977</u>
<u>(441,660)</u>	<u>(438,044)</u>	<u>3,616</u>	<u>(13,869,276)</u>	<u>(12,969,422)</u>	<u>899,854</u>
773,992	773,992	0	0	0	0
0	0	0	0	0	0
(111,452)	0	111,452	0	0	0
<u>662,540</u>	<u>773,992</u>	<u>111,452</u>	<u>0</u>	<u>0</u>	<u>0</u>
220,880	335,948	115,068	(13,869,276)	(12,969,422)	899,854
662,088	662,088	0	2,909,703	2,909,703	0
0	0	0	11,260,780	11,260,780	0
<u>\$882,968</u>	<u>\$998,036</u>	<u>\$115,068</u>	<u>\$301,207</u>	<u>\$1,201,061</u>	<u>\$899,854</u>

(Continued)

Licking Heights Local School District, Ohio
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003
 (Continued)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$7,931,590	\$7,931,590	\$0
Intergovernmental	4,782,568	4,781,880	(688)
Interest	176,224	170,400	(5,824)
Tuition and Fees	156,710	156,761	51
Extracurricular Activities	116,448	117,254	806
Gifts and Donations	24,648	24,698	50
Miscellaneous	59,177	59,342	165
Total Revenues	13,247,365	13,241,925	(5,440)
Expenditures:			
Current:			
Instruction:			
Regular	5,008,941	4,851,073	157,868
Special	1,246,082	1,177,703	68,379
Vocational	202,197	196,156	6,041
Other	176,512	175,023	1,489
Support Services:			
Pupils	541,957	512,471	29,486
Instructional Staff	588,045	555,972	32,073
Board of Education	38,159	32,710	5,449
Administration	1,068,322	1,041,490	26,832
Fiscal	381,041	361,910	19,131
Operation and Maintenance of Plant	1,313,214	1,176,783	136,431
Pupil Transportation	850,055	790,395	59,660
Central	53,116	47,093	6,023
Extracurricular Activities	377,678	344,133	33,545
Capital Outlay	13,780,242	12,875,265	904,977
Debt Service:			
Principal Retirement	1,443,992	1,443,992	0
Interest and Fiscal Charges	1,348,842	1,348,842	0
Total Expenditures	28,418,395	26,931,011	1,487,384
Excess of Revenues Under Expenditures	(15,171,030)	(13,689,086)	1,481,944
Other Financing Sources (Uses):			
Proceeds from Sale of Notes	773,992	773,992	0
Advances Out	(50,000)	0	50,000
Operating Transfers Out	(115,452)	0	115,452
Total Other Financing Sources (Uses)	608,540	773,992	165,452
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(14,562,490)	(12,915,094)	1,647,396
Fund Balances at Beginning of Year	5,175,764	5,175,764	0
Prior Year Encumbrances Appropriated	11,452,535	11,452,535	0
Fund Balances at End of Year	\$2,065,809	\$3,713,205	\$1,647,396

See accompanying notes to the general purpose financial statements

Licking Heights Local School District, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Fund Equity
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2003

	Enterprise
Operating Revenues:	
Sales	\$363,276
Operating Expenses:	
Salaries	178,652
Fringe Benefits	68,779
Purchased Services	7,128
Materials and Supplies	27,451
Cost of Sales	232,091
Depreciation	5,386
Total Operating Expenses	519,487
Operating Loss	(156,211)
Non-Operating Revenues:	
Federal Donated Commodities	39,715
Interest Income	1,112
Federal and State Subsidies	86,682
Total Non-Operating Revenues	127,509
Net Loss	(28,702)
Retained Earnings at Beginning of Year	86,723
Retained Earnings at End of Year	58,021
Contributed Capital at Beginning of Year	23,336
Capital Contributions During the Year from Other Fund:	23,796
Contributed Capital at End of Year	47,132
Total Fund Equity at End of Year	\$105,153

See accompanying notes to the general purpose financial statements

Licking Heights Local School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2003

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$363,138	\$363,131	(\$7)
Interest Income	1,135	1,112	(23)
Federal and State Subsidies	81,980	81,980	0
Total Revenues	446,253	446,223	(30)
Expenses:			
Salaries	203,074	178,993	24,081
Fringe Benefits	54,840	54,840	0
Purchased Services	7,824	7,292	532
Materials and Supplies	242,351	222,698	19,653
Capital Outlay	18,500	17,080	1,420
Total Expenses	526,589	480,903	45,686
Excess of Revenues Under Expenses	(80,336)	(34,680)	45,656
Operating Transfer Out	(1,576)	0	1,576
Excess of Revenues Under Expenses and Operating Transfers Out	(81,912)	(34,680)	47,232
Fund Equity at Beginning of Year	91,896	91,896	0
Prior Year Encumbrances Appropriated	13,063	13,063	0
Fund Equity at End of Year	\$23,047	\$70,279	\$47,232

See accompanying notes to the general purpose financial statements

Licking Heights Local School District, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2003

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$363,279
Cash Payments for Employee Services and Benefits	(233,833)
Cash Payments to Suppliers for Goods and Services	(228,201)
	(98,755)
Net Cash Used for Operating Activities	(98,755)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	81,980
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(13,223)
Cash Flows from Investing Activities:	
Interest on Investments	1,112
	(28,886)
Net Decrease in Cash and Cash Equivalents	(28,886)
Cash and Cash Equivalents Beginning of Year	105,087
	\$76,201
	\$76,201
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$156,211)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	5,386
Donated Commodities Received During the Year	39,715
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts Receivable	3
Due from Other Funds	(110)
Materials and Supplies Inventory	421
Inventory Held for Resale	(2,791)
Increase (Decrease) in Liabilities:	
Accounts Payable	194
Accrued Salaries and Benefits Payable	8,144
Intergovernmental Payable	9,224
Compensated Absences Payable	(2,730)
	(98,755)
Net Cash Used for Operating Activities	(\$98,755)

Noncash Operating Activities:

During fiscal year 2003, the School District received \$39,715 in Federally Donated Commodities.

The food service fund received equipment purchased by the Buildings Capital Projects Fund with a fair market value of \$23,796.

See accompanying notes to the general purpose financial statements

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Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1956, and is located just east of the City of Columbus about one-half mile from the Franklin County border. The School District serves an area of approximately 53 square miles. It is located in Licking and Franklin Counties and covers parts of the City of Pataskala and Jersey, St. Albans, and Etna Townships in Licking County and parts of Jefferson Township, City of Reynoldsburg, and the City of Columbus in Franklin County. The School District is staffed by 75 classified employees, 118 certified full-time teaching personnel, and 8 administrative employees who provide services to 1,567 students and other community members. The School District currently operates four instructional buildings, one administrative building, and one garage.

Reporting Entity

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

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

The School District participates in four jointly governed organizations and two insurance purchasing pools. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, the Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Funds Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The School District's only proprietary fund type is as follows:

Enterprise Funds Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The School District's fiduciary funds only include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue Recognition Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the function and object level without resolution by the Board of Education. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Licking County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the amended certificate that was in effect at the time final appropriations were passed by the Board of Education.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund level which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the fiscal year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except for some capital project monies used for construction, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheet.

During fiscal year 2003, investments were limited to STAROhio and federal agency securities which are reported at fair value based on quoted market prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$73,218, which includes \$26,011 assigned from other School District funds.

The School District has a bank account for the payment of bonds and coupons held separate from the School District's central bank account. This non-interest bearing checking account is presented in the combined balance sheet as "cash and cash equivalents with fiscal and escrow agents" since it is not required to be deposited into the School District treasury. The School District has money held by the City of Pataskala for escrow purposes which is also presented in the "cash and cash equivalents with fiscal and escrow agents" on the combined balance sheet.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the fiscal year in which services are consumed.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

G. Restricted Assets

Restricted assets in the general fund represent unexpended revenues restricted for the purchase of buses.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not capitalize infrastructure, as these assets are immovable and of value only to the School District.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life that ranges from ten to twenty years and land improvements have a useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" on the balance sheet.

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

K. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are generally considered not to have been made with current available financial resources. Bonds, rebatable arbitrage, long-term notes, and capital leases payable are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

M. Fund Balance Reserves and Contributed Capital

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Contributed capital is recorded in proprietary funds that have received contributions from other funds, other governments, and private sources prior to fiscal year 2001. After fiscal year 2000, capital contributions received from other governments and private sources are recorded as revenues and are reported as retained earnings based on new guidelines established by GASB Statement 33, "Accounting and Reporting for Nonexchange Transactions." Capital contributions from other funds are still recorded as contributed capital.

N. Estimates

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

O. Totals Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, or results of operations in conformity with generally accepted accounting principles.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. Proceeds from and principal payments on short term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Principal and interest payments on debt obligations are reported in debt service funds on the operating statement (budget basis) rather than in the funds receiving those proceeds (gaap basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$210,417)	(\$25,988)	\$348,774	(\$9,893,023)
Net Adjustment for				
Revenue Accruals	(113,841)	(375)	(12,766)	0
Beginning Unreported Cash	59	0	0	0
Ending Unreported Cash	(34)	0	0	0
Cash with Fiscal and				
Escrow Agent	0	0	0	3,368
Increase/Decrease in Fair				
Value of Investments	(2,815)	0	0	0
Net Adjustment for				
Expenditure Accruals	278,446	14,107	385	(1,622,151)
Beginning Prepaid Items	7,172			
Ending Prepaid Items	(10,430)	0	0	0
Tax Revenue Reclass	0	0	22,633	(22,633)
Note Proceeds	0	0	773,992	0
Debt Service Principal	0	0	(773,992)	0
Debt Service Interest	0	0	(23,078)	30,574
Encumbrances	(209,652)	(7,852)	0	(1,465,557)
Budget Basis	(\$261,512)	(\$20,108)	\$335,948	(\$12,969,422)

Net Loss/Excess of Revenues
Under Expenses and Operating Transfers Out
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$28,702)
Net Adjustment for Revenue Accruals	(44,414)
Beginning Unreported Cash	128
Ending Unreported Cash	(276)
Net Adjustment for Expense Accruals	54,437
Materials and Supplies Inventory	421
Inventory held for Resale	(2,791)
Capital Outlay	(13,223)
Depreciation Expense	5,386
Encumbrances	(5,646)
Budget Basis	(\$34,680)

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 4 - Accountability

The following funds had deficit fund balances as of June 30, 2003:

	<u>Deficit Fund Balances</u>
<i>Special Revenue Fund:</i>	
Classroom Reduction	\$377
<i>Capital Projects Fund:</i>	
House Bill 264 Improvements	776,889

The deficit balance in the special revenue fund is the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit in the capital projects fund is the result of the issuance of notes to finance the House Bill 264 improvement projects. The note proceeds are not recognized as "Other Financing Sources" but rather as a fund liability. Once the notes are retired or bonds are issued, the deficit will be eliminated.

Note 5 - 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.

Protection of the 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, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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 be 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 eighty days from the purchase date 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 until 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.

Cash On Hand At year end, the School District had \$1,469 in undeposited cash on hand which is included on the balance sheet of the School District as part of "cash and cash equivalents".

Cash with Fiscal Agents At year end, the School District's building construction capital projects fund had \$27,275 in cash with escrow agents which is included on the balance sheet of the School District as "cash and cash equivalents with fiscal and escrow agents." . In accordance with an agreement between the School District and the City of Pataskala, the School District placed escrow monies with the City for future site construction inspections. The money held by the City is in a pooled account of monies and therefore cannot be classified by risk under GASB Statement 3. To obtain financial information about the City of Pataskala, write to City of Pataskala, 196 East Broad Street, Pataskala, Ohio 43062.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$30,011 and the bank balance was \$240,495. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$140,495 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments The School District's investments are required to be categorized 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 for which the securities are held by the counter party'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. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Fair Value
Federal Home Loan Bank Note	\$502,190	\$502,190
Federal Home Loan Mortgage Corporation Discount Note	995,623	995,623
STAROhio	0	3,991,943
<i>Totals</i>	\$1,497,813	\$5,489,756

The federal agency securities have maturities ranging from December 2003 to March 2005.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$5,548,511	\$0
Cash on Hand	(1,469)	0
Cash with Escrow Agent	(27,275)	0
Investments of the Cash		
Management Pool:		
Federal Home Loan Bank Note	(502,190)	502,190
Federal Home Loan Mortgage		
Corporation Discount Note	(995,623)	995,623
STAROhio	(3,991,943)	3,991,943
Totals	\$30,011	\$5,489,756

Note 6 - 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, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, the School District did not receive payment from the Licking County Auditor until July 7, 2003.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

The School District receives property taxes from Licking and Franklin Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. Also intended to finance current fiscal year operations is the June 30 personal property tax settlement that was not received until July, 2003, in the amount of \$97,429 in the general fund and \$19,510 in the bond retirement debt service fund. The amount available as an advance at June 30, 2003, was \$879,956; \$650,467 was available to the general fund and \$229,489 was available to the bond retirement debt service fund. The amount available as an advance at June 30, 2002, was \$590,909 in the general fund and \$223,487 in the debt service fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$217,688,010	87.85%	\$276,891,940	89.72%
Public Utility Personal	7,575,210	3.06	8,797,180	2.85
Tangible Personal Property	22,529,307	9.09	22,933,819	7.43
	<u>\$247,792,527</u>	<u>100.00%</u>	<u>\$308,622,939</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$50.50		\$50.53	

Note 7 - Receivables

Receivables at June 30, 2003, consisted of property taxes, accounts (rent, billings for user charged services, and tuition and fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Transportation Adjustment	\$29,556
Pupil Tuition	13,900
State Foundation Adjustments	3,993
FEMA monies	164
<i>Total General Fund</i>	47,613
Special Revenue Fund:	
Title I	689
Enterprise Fund:	
National School Lunch	14,990
<i>Total All Funds</i>	\$63,292

Note 8 - Fixed Assets

A summary of the Proprietary Funds' fixed assets at June 30, 2003, follows:

	Enterprise
Land and Improvements	\$1,150
Furniture and Equipment	118,280
Less: Accumulated Depreciation	(56,488)
Net Fixed Assets	\$62,942

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance 6/30/02	Additions	Deletions	Balance 6/30/03
Land and Improvements	\$418,293	\$76,299	\$0	\$494,592
Buildings and Improvements	8,400,055	416,320	0	8,816,375
Furniture and Equipment	1,912,908	431,997	16,179	2,328,726
Vehicles	1,061,586	171,941	0	1,233,527
Construction in Progress	13,387,826	9,555,944	298,489	22,645,281
Total	\$25,180,668	\$10,652,501	\$314,668	\$35,518,501

The School District's construction in progress is for a new high school facility that will combine the middle school and high school students into one building.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Indiana Insurance Company for property insurance and Auto- Owners Insurance for fleet insurance. The types and amounts of coverage provided are as follows:

<u>Coverage</u>	<u>Amount</u>
Building and Contents - replacement cost (deductible \$1,000)	\$30,615,608
Forgery of Alterations	100,000
Public Employee Dishonesty	100,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

During fiscal year 2003, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 20).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Coverage	Amount
General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Medical Expense Limit - Per Person/Accident	10,000
Fire Damage Limit - Any One Event	500,000
Violence Liability:	
Violence Annual Aggregate	1,000,000
Death Result of Violent Act Per Person	50,000
Death Result of Violent Act Aggregate	500,000
Employer's Liability:	
Each Occurrence	1,000,000
Disease - Each Employee	1,000,000
Disease - Policy Limit	1,000,000
Employee Benefits Liability	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Educators Legal Liability (\$2,500 deductible)	
Per Claim	1,000,000
Annual Aggregate	2,000,000
Defense Annual Aggregate	1,000,000
Employment Practices Injury Per Claim	1,000,000
Employment Practices Injury Aggregate	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

B. Workers' Compensation

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19) 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.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 10 - 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 State Statute 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 9 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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, 2003, 2002, and 2001, were \$133,514, \$77,013 and \$52,487 respectively; 48 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

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 or by calling (614) 227-4090.

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

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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, 2003, plan members were required to contribute 9.3 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 2002, the portion used to fund pension obligations was 9.5 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, 2003, 2002, and 2001, were \$711,112, \$412,861, and \$385,657 respectively; 77 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$11,229 made by the School District and \$3,308 made by the plan members.

Note 11 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$55,503 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits during the 2003 fiscal year equaled \$135,788.

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12 - Employee Benefits

A. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Educational Council.

B. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 320 days for certified employees and 270 days for classified employees. Upon retirement, employees receive a payment for one-fourth of accrued, but unused sick leave credit to a maximum of 70 days for certified and 60 days for classified.

C. Employee Medical Benefits

The School District has contracted with United HealthCare for medical/surgical benefits and Delta Dental Insurance for dental benefits. The employees share the cost of the monthly premium with the Board. For fiscal year 2003, the School District's and the employees' premiums are listed below:

	United HealthCare		Delta Dental	
	Family	Single	Family	Single
Employee Share - Certified	\$252.59	\$103.42	\$22.80	\$3.28
Employee Share - Classified	273.97	111.34	23.45	3.56
Board Share - Certified	521.89	183.42	39.91	18.87
Board Share - Classified	500.51	175.50	39.26	18.59

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 13 - Capital Leases

The School District has capitalized leases for a bus and several copiers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases" which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements. These expenditures are reflected as function expenditures on a budgetary basis.

General fixed assets consisting of leased equipment has been capitalized in the general fixed assets account group in the amount of \$151,249. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long term obligations account group. Principal payments in fiscal year 2003 totaled \$26,627. The School District traded-in an asset obtained through a capital lease within the current fiscal year. The principal amount of \$2,860 was forgiven by the leasing company since the School District reentered into a new lease.

Year	General Long-Term Obligations
2004	\$43,132
2005	38,626
2006	27,823
2007	23,277
2008	8,456
Total Minimum Lease Payments	141,314
Less: Amount Representing Interest	(19,811)
Present Value of Minimum Lease Payments	\$121,503

Note 14 – Notes Payable

A summary of the note transactions for the year ended June 30, 2003 follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03
Capital Projects Fund:				
2.99% Energy Conservation Note	\$773,992	\$0	\$773,992	\$0
2.05% Energy Conservation Note	0	773,992	0	773,992
<i>Total Notes Outstanding</i>	\$773,992	\$773,992	\$773,992	\$773,992

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

The energy conservation note is backed by the full faith and credit of Licking Heights Local School District. The outstanding note matures on April 22, 2004.

Note 15 – Contract Obligations

As of June 30, 2003, the School District had contractual purchase commitments for twelve projects. The amount for each contractor is as follows:

Contractor	Purchase Commitments	Amounts Paid as of 6/30/2003	Amounts Remaining on Contracts
<i>Building Construction Capital Projects Fund:</i>			
Steed Hammond Paul Architects	\$1,280,311	\$1,229,099	\$51,212
Settle Muter Electric	1,951,986	1,932,981	19,005
Miles-McClellan Constuction	10,136,573	9,928,017	208,556
Howard's Sheet Metal	1,419,313	1,410,869	8,444
General Temperature Control	1,460,525	1,449,846	10,679
Spectrum Builders	143,696	31,200	112,496
Schorr Associates	52,000	44,200	7,800
C and T Design and Equipment	353,210	351,917	1,293
Converse Electric	596,191	594,831	1,360
American Electric Power	73,867	0	73,867
2K General, Inc.	109,014	39,800	69,214
<i>Permanent Improvement Capital Projects Fund:</i>			
2K General, Inc.	188,521	0	188,521
<i>Totals</i>	<u><u>\$17,765,207</u></u>	<u><u>\$17,012,760</u></u>	<u><u>\$752,447</u></u>

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 16 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	Principal Outstanding 6/30/02	Additions	Deductions	Principal Outstanding 6/30/03
<i>General Obligation Debt:</i>				
Energy Conservation Notes - 1993	\$35,000	\$0	\$35,000	\$0
School Improvement Bonds - 2000	945,000	0	5,000	940,000
School Improvement Bonds - 2001				
Serial and Term Bonds	23,495,000	0	630,000	22,865,000
Captial Appreciation Bonds	111,351	30,434	0	141,785
<i>Total General Obligation Debt</i>	<u>24,586,351</u>	<u>30,434</u>	<u>670,000</u>	<u>23,946,785</u>
<i>Other Long-Term Obligations:</i>				
Rebatable Arbitrage	229,733	0	655	229,078
Capital Leases	32,551	118,439	29,487	121,503
Pension Obligation	68,590	106,288	68,590	106,288
Compensated Absences	344,459	202,875	270,476	276,858
<i>Total General Long-Term Obligations</i>	<u>\$25,261,684</u>	<u>\$458,036</u>	<u>\$1,039,208</u>	<u>\$24,680,512</u>

On July 1, 1993, the School District issued \$289,834 in unvoted energy conservation notes with an interest rate of 5.35% for energy conservation improvements under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2003. The debt was 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 debt matured on June 1, 2003, and was repaid through the bond retirement fund.

The School District issued School Improvement General Obligation Bonds in the amount of \$950,000 on May 1, 2000, with an interest rate of 6.4%. The bonds were issued for a twenty-eight year period with final maturity at December 1, 2028. The liability for the bonds is recorded in the general long-term obligations account group with annual principal and interest requirements retired from the debt service fund.

On September 15, 2000, the School District issued \$24,049,032 in voted general obligation bonds. The School District received \$25,082,472 in bond proceeds, which included a \$1,033,440 premium. The bonds were issued for a twenty-eight year period with final maturity at December 1, 2028. The liability for the bonds is recorded in the general long-term obligations account group with annual principal and interest requirements retired from the debt service fund.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

The general obligation bonds will be retired with the proceeds of an 8.9 mill levy approved on March 7, 2000. The debt proceeds are used to construct a new high school building with a multi-purpose area for school and community use, renovating and improving existing school buildings and facilities, and acquiring land.

The \$24,049,032 bond issue consists of serial, term, and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 4.3-6.0%. The term bonds that mature in the year 2024, with an interest rate of 5.5%, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2022, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2022	\$1,410,000
2023	1,420,000

The term bonds due December 1, 2028, with an interest rate of 5.625%, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2025, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2025	\$1,720,000
2026	1,835,000
2027	2,020,000

The term bonds maturing after December 1, 2010 are subject to optional redemption, in whole or in part on any date in order of maturity as determined by the District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2010.

The capital appreciation bonds will mature December 1, 2013 through 2017. These bonds were purchased at a discount at the time of issuance and, at maturity all compound interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$2,945,000. The fiscal year 2003 accretion amount is \$30,434.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Principal and interest requirements to retire the general obligation bonds are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds				Total
	Issued in Fiscal Year 2000		Issued in Fiscal Year 2001		
	Principal	Interest	Principal	Interest	
2004	\$5,000	\$60,000	\$870,000	\$1,222,321	\$2,157,321
2005	5,000	59,680	1,045,000	1,169,659	2,279,339
2006	5,000	59,360	1,225,000	1,113,665	2,403,025
2007	5,000	59,040	470,000	1,075,716	1,609,756
2008	5,000	58,720	565,000	1,052,170	1,680,890
2009-2013	25,000	288,800	2,050,000	4,814,030	7,177,830
2014-2018	25,000	280,800	74,032	7,484,737	7,864,569
2019-2023	30,000	272,640	5,900,000	3,870,759	10,073,399
2024-2028	665,000	169,440	8,600,000	1,887,791	11,322,231
2029	170,000	5,440	2,140,000	60,188	2,375,628
Total	<u>\$940,000</u>	<u>\$1,313,920</u>	<u>\$22,939,032</u>	<u>\$23,751,036</u>	<u>\$48,943,988</u>

The School District's overall legal debt margin at June 30, 2003, was \$27,446,206, with an unvoted debt margin of \$558,161. The School District was approved as a special needs district on February 15, 2000, by the Ohio Department of Education. This approval was granted based on projected tax valuation growth figures submitted by the School District to the Ohio Department of Education. The approval of the School District as a special needs district allowed them to issue the new school improvement bonds.

Arbitrage occurs when the School District profits from the issuance of tax-exempt debt which is issued at a low rate of interest and invests the proceeds in higher yielding taxable securities. Interest earnings in excess of interest expense may have to be repaid to the Federal government. Based upon information provided by the School District's bond counsel, a \$229,078 liability has been reflected in the general long-term obligations account group as of June 30, 2003, which decreased from the June 30, 2002 estimate of \$229,733.

Capital leases will be paid from the general fund. Compensated absences and the pension obligation will be paid from the fund which the employees' salaries are paid.

Note 17 – Segment Information for Enterprise Funds

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects the more significant financial data relating to the enterprise funds of the Licking Heights Local School District as of and for the fiscal year ended June 30, 2003.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$348,989	\$14,287	\$363,276
Depreciation Expense	5,386	0	5,386
Operating Income (Loss)	(157,216)	1,005	(156,211)
Donated Commodities	39,715	0	39,715
Operating Grants	86,682	0	86,682
Net Income (Loss)	(29,707)	1,005	(28,702)
Fixed Assets Additions	37,019	0	37,019
Net Working Capital	34,628	15,056	49,684
Total Assets	152,158	15,056	167,214
Long-Term Liabilities payable from			
Fund Revenues	7,473	0	7,473
Total Equity	90,097	15,056	105,153
Cash Encumbrances Outstanding at June 30, 2003	5,149	497	5,646

Note 18 – Interfund Activity

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

	<u>Receivable</u>	<u>Payable</u>
<i>Special Revenue Fund:</i>		
School Support	\$0	\$110
<i>Enterprise Fund:</i>		
Food Service	110	0
<i>Total All Funds</i>	<u><u>\$110</u></u>	<u><u>\$110</u></u>

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 19 - Jointly Governed Organizations

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 thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts 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 fixed assets. The School District paid \$76,486 to LACA during fiscal year 2003. Financial statements for LACA can be obtained from their fiscal agent - the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

Metropolitan Educational Council - The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. 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 paid \$214,260 to MEC during fiscal year 2003. 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.

Central Ohio Special Education Regional Resource Center - The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in Central Ohio (which comprise sixty percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, and representatives of universities. The School District participates in the following services of COSERRC: Identification and Program Development Project, Regional Educational Assessment Programming Project, Instructional Resource Center Project, Early Childhood Services Project, and the Ohio Resource Center for Low Incidence and Severely Handicapped Project. These services are to assist the School District in complying with mandates of Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for COSERRC. The School District's made no contributions to COSERRC during fiscal year 2003.

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 can have active membership by paying a yearly membership fee which

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

entitles each school district to attend Council meetings and voting privileges. School districts may elect to be associate members which entitles them 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. The Board consisted of fourteen members. In fiscal year 2003, Licking Heights obtained active membership privileges and paid a membership fee of \$350.

Note 20 – Insurance Purchasing Pool

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan - The School District participates in the Ohio Association of School Business Officials (OASBO) 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 OASBO. The Director of OASBO, or his designee, serves as coordinator of the program. Each year, the participating school district pays 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.

Note 21 - Contingencies

A. Grants

The School District receives 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The Licking Heights Local School District is not a party to legal proceedings.

Licking Heights Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 22 - Set-Aside Calculations

The Licking Heights Local 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future years

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

	Textbooks	Improvements
Set-aside Reserve Balance as of June 30, 2001	(\$394,127)	(\$14,472,760)
Current Year Set-aside Requirement	205,890	205,890
Qualifying Disbursements	(205,163)	(11,900,678)
Totals	(\$393,400)	(\$26,167,548)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$393,400)	(\$26,072,190)
Total Reserve Balance	\$0	\$0

The School District has qualifying disbursements during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amounts may be used to reduce the set-aside requirement in future years. The total reserve balance for the set-asides at the end of the fiscal year was zero.

Note 23 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding 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 24 – Subsequent Events

On August 5, 2003, the School District passed a resolution to participate in the School Building Assistance Expedited Local Partnership Program of the Ohio School Facilities Commission. The School District will bring the issue before the voters on November 4, 2003. The estimated millage is 8 mills.

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$39,715	\$0	\$39,715
National School Lunch Program	LLP4-2003	10.555	<u>78,779</u>	<u>0</u>	<u>78,779</u>	<u>0</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			78,779	39,715	78,779	39,715
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Education Agencies	C1S1-2002/2003	84.010	102,047	0	89,837	0
Special Education Grants to States	6BSF-2002/2003	84.027	120,750	0	122,704	0
Safe and Drug-Free Schools and Communities State Grants	DRS1-2002/2003	84.186	5,502	0	5,186	0
Goals 2000 State and Local Education Systematic Improvement	G2S2-2001	84.276	0	0	6,499	0
Eisenhower Professional Development State Grants	MSS1-2002	84.281	0	0	38	0
Innovative Education Program Strategies	C2S1-2003	84.298	8,613	0	8,613	0
Education Technology State Grants	TJS1-2003	84.318	2,810	0	2,810	0
Improving Teacher Quality State Grants	TRS1-2003	84.367	<u>44,939</u>	<u>0</u>	<u>44,850</u>	<u>0</u>
Total U.S. Department of Education			284,661	0	280,537	0
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>						
<i>Passed Through Ohio Emergency Management Agency:</i>						
Public Assistance Grant Program	DR-1453	83.544	<u>1,025</u>	<u>0</u>	<u>1,025</u>	<u>0</u>
Total Federal Awards			<u>\$364,465</u>	<u>\$39,715</u>	<u>\$360,341</u>	<u>\$39,715</u>

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

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Education
Licking Heights Local School District
Licking County
6539 Summit Road S.W.
Summit Station, Ohio 43073-0027

We have audited the general-purpose financial statements of the Licking Heights Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 27, 2003. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance 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 over financial reporting 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 misstatements in amounts that would be material in relation to the general-purpose 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 27, 2003.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 27, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Licking Heights Local School District
Licking County
6539 Summit Road S.W.
Summit Station, Ohio 43073-0027

Compliance

We have audited the compliance of the Licking Heights Local School District, Licking County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

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.

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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 the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 27, 2003

**LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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

JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster - #10.550 and #10.555, Special Education Grants to States - #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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LICKING HEIGHTS LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2003**