

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

SUPPLEMENTAL REPORTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

RICHARD JONES, TREASURER



Mary Taylor, CPA

Auditor of State

Board of Education
Southwest Licking Local School District
927-A South Street
Pataskala, Ohio 43062

We have reviewed the *Independent Auditor's Report* of the Southwest Licking Local School District, Licking County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 8, 2008

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Supplementary Schedule of Receipts and Expenditures of Federal Awards

Board of Education
Southwest Licking Local School District
927-A South Street
Pataskala, Ohio 43062

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated December 18, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Southwest Licking Local School District's basic financial statements. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 18, 2007

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(F) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(F) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
(A) Food Donation	10.550	N/A	\$ -	\$ 47,102	\$ -	\$ 47,102
Total Food Donation			<u>-</u>	<u>47,102</u>	<u>-</u>	<u>47,102</u>
<i>Nutrition Cluster:</i>						
(B)(C) School Breakfast Program	10.553	048041-05PU-2006	10,533		10,533	
(B)(C) School Breakfast Program	10.553	048041-05PU-2007	33,322		33,322	
Total School Breakfast Program			<u>43,855</u>		<u>43,855</u>	
(B)(C) National School Lunch Program	10.555	048041-LLP4-2006	70,086		70,086	
(B)(C) National School Lunch Program	10.555	048041-LLP4-2007	183,788		183,788	
Total National School Lunch Program			<u>253,874</u>		<u>253,874</u>	
Total Nutrition Cluster			<u>297,729</u>		<u>297,729</u>	
Total U.S. Department of Agriculture			<u>297,729</u>	<u>47,102</u>	<u>297,729</u>	<u>47,102</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	048041-C1S1-2006	26,552		30,680	
Title I Grants to Local Educational Agencies	84.010	048041-C1S1-2007	139,262		141,667	
Total Title I Grants to Local Educational Agencies			<u>165,814</u>		<u>172,347</u>	
Special Education, Grants to States	84.027	048041-6BSF-2006	112,554		122,502	
Special Education, Grants to States	84.027	048041-6BSF-2007	531,009		544,172	
Total Special Education, Grants to States			<u>643,563</u>		<u>666,674</u>	
(D) Safe and Drug-Free Schools and Communities_State Grants	84.186	048041-DRS1-2006	(1,789)		1,491	
Safe and Drug-Free Schools and Communities_State Grants	84.186	048041-DRS1-2007	14,432		11,761	
Total Safe and Drug-Free Schools and Communities_State Grants			<u>12,643</u>		<u>13,252</u>	
State Grants for Innovative Programs	84.298	048041-C2S1-2007	10,611		13,407	
(E) Education Technology State Grants	84.318	048041-TJS1-2006	(245)		-	
Education Technology State Grants	84.318	048041-TJS1-2007	451		2,645	
Total Education Technology State Grants			<u>206</u>		<u>2,645</u>	
Improving Teacher Quality State Grants	84.367	048041-TRS1-2006	16,686		19,816	
Improving Teacher Quality State Grants	84.367	048041-TRS1-2007	89,815		87,430	
Total Improving Teach Quality State Grants			<u>106,501</u>		<u>107,246</u>	
Total U.S. Department of Education			<u>939,338</u>		<u>975,571</u>	
Total Federal Financial Assistance			<u>\$ 1,237,067</u>	<u>\$ 47,102</u>	<u>\$ 1,273,300</u>	<u>\$ 47,102</u>

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
- (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (C) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (D) Amount of \$1,789 transferred to the next grant year based on Ohio Department of Education administrative action.
- (E) Amount of \$245 transferred to the next grant year based on Ohio Department of Education administrative action.
- (F) This schedule was prepared on the cash basis of accounting.

Note 1: The Southwest Licking Local School District has excluded federal financial assistance reported for the discretely presented component unit: Southwest Licking Digital Academy.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education
Southwest Licking Local School District
927-A South Street
Pataskala, Ohio 43062

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Southwest Licking Local School District's basic financial statements and have issued our report thereon dated December 18, 2007. As disclosed in Note 25 to the basic financial statements, the Southwest Licking Local School District restated its net assets and fund balances at June 30, 2006 due to the implementation of accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Licking Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Licking Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southwest Licking Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southwest Licking Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Southwest Licking Local School District's financial statements that is more than inconsequential will not be prevented or detected by Southwest Licking Local School District's internal control.

Board of Education
Southwest Licking Local School District

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Southwest Licking Local School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Licking Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2007-SWLLSD-001 and 2007-SWLLSD-002.

Southwest Licking Local School District's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Southwest Licking Local School District's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to the management of Southwest Licking Local School District in a separate letter dated December 18, 2007.

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



Julian & Grube, Inc.
December 18, 2007



Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education
Southwest Licking Local School District
927-A South Street
Pataskala, Ohio 43062

Compliance

We have audited the compliance of Southwest Licking Local School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2007. As disclosed in Note 25 to the basic financial statements, the Southwest Licking Local School District restated its net assets and fund balances at June 30, 2006 due to the implementation of accounting principles generally accepted in the United States of America. Southwest Licking Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Southwest Licking Local School District's management. Our responsibility is to express an opinion on Southwest Licking Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southwest Licking Local School 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 Southwest Licking Local School District's compliance with those requirements.

In our opinion Southwest Licking Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Board of Education
Southwest Licking Local School District

Internal Control Over Compliance

The management of Southwest Licking Local School 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 Southwest Licking Local School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwest Licking Local School District's internal control over compliance.

A control deficiency in Southwest Licking Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southwest Licking Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Southwest Licking Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Southwest Licking Local School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Julian & Grube, Inc.
December 18, 2007

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education - Grants to States: CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2007-SWLLSD-001

Ohio Revised Code Section 5705.39 requires that the total appropriations from each fund should not exceed total estimated resources.

The District had appropriations exceeding estimated resources throughout the year at March 31, 2007 in the following funds:

<u>Major Fund</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
Permanent Improvement	\$ 1,210,882	\$ 1,126,532	\$ 84,350
<u>Nonmajor Fund</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
Food Service	\$ 1,244,802	\$ 1,131,742	\$ 113,060

This was corrected at June 30, 2007.

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or in the process of collection and may cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

Client Response: The District is attempting to monitor its budget more closely and attempting to submit additional amendments for estimated resources or reduce its appropriations as necessary.

Finding Number	2007-SWLLSD-002
----------------	-----------------

Ohio Revised Code Section 5705.36 requires subdivisions to certify to the County Auditor the amount available from all sources for expenditures from each fund in the tax budget along with any balances which existed at the end of the preceding year on or about the first day of each fiscal year.

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

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

Finding Number	2007-SWLLSD-002 - (Continued)
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The District did not request amended certificates upon notice of increased or decreased resources throughout the year in order to equal or exceed appropriations.

The District is not properly certifying its most current estimated resources to the appropriate authorities, thus causing appropriations to exceed estimated resources.

We recommend that the District review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: The District is attempting to monitor its budget more closely and attempting to submit additional amendments for estimated resources or reduce its appropriations as necessary.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO
JUNE 30, 2007**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	The District should have internal control policies and procedures in place over student activities.	Partially	Now located in Management Letter
2006-002	Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year.	Yes	N/A
2006-003	Ohio Revised Code Section 9.38 requires public money to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.	Yes	N/A
2006-004	Ohio Revised Code Section 3315.062(B) requires that monies received from a student activity program in excess of fifty dollars per year be paid into an activity fund. (Finding for recovery repaid under audit - middle school entertainment books)	Yes	N/A
2006-005	Ohio Revised Code Section 3315.062(B) requires that monies received from a student activity program in excess of fifty dollars per year be paid into an activity fund. (Finding for recovery repaid under audit – baseball team golf passes)	Yes	N/A

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO
JUNE 30, 2007**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-006	Ohio Revised Code Section 3315.062(B) requires that monies received from a student activity program in excess of fifty dollars per year be paid into an activity fund.(Finding for recovery repaid under audit - swim team entertainment books)	Yes	N/A
2006-007	Ohio Revised Code Section 3315.062(B) requires that monies received from a student activity program in excess of fifty dollars per year be paid into an activity fund. (Finding for recovery repaid under audit - wrestling clinic)	Yes	N/A



Southwest Licking Local School District

*Comprehensive
Annual Financial Report*

*For Fiscal Year Ended
June 30, 2007*

*Board of Education
Southwest Licking Local School District
Pataskala, Ohio*

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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I. INTRODUCTORY SECTION

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SOUTHWEST LICKING LOCAL SCHOOLS

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December 31, 2007

To the Citizens and Board of Education of the Southwest Licking Local School District:

We are pleased to submit to you the first Comprehensive Annual Financial Report (CAFR) of the Southwest Licking Local School District (the "District"). This CAFR conforms to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, this CAFR and the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

This CAFR is presented in three sections:

The Introductory Section includes the table of contents, this letter of transmittal, a list of principal officials, and the District's organizational chart.

The Financial Section includes the basic financial statements, notes to the financial statements, and the combining and individual fund financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules.

The Statistical Section presents selected financial and demographic information, generally presented on a multi-year basis.

GAAP also requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

State statute requires an annual audit by independent auditor's. Julian & Grube, Inc. conducted the audit. The audit has been conducted in accordance with generally accepted auditing standards and generally accepted government auditing standards and includes a review of internal controls and tests of compliance with Federal and State laws and regulations. The Independent Auditor's Report is included in this CAFR.

PROFILE OF THE DISTRICT

The District is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by State statute and federal guidelines. The five member Board of Education serves as the taxing authority, contracting body, and policy maker of the District. The Board of Education adopts the annual operating budget and approves all expenditures of the District.

The District was established in 1953 through the consolidation of existing land areas and the Etna, Kirkersville and Pataskala school districts. The District serves an area of approximately 65 square miles. The District is located approximately eighteen miles east of Columbus, the state capital, in Licking County, and includes the City of Pataskala, the Village of Kirkersville and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The District operates one high school (grades 9-12), one middle school (grades 6-8), three elementaries (grades 1-5), one kindergarten center (grade K), one administrative building, and one support service building.

The District provides a full range of traditional and non-traditional educational programs and services. These include regular and vocational instruction, special education instructional programs for handicapped and gifted students; and a broad range of co-curricular and extracurricular activities. In addition, the school district sponsors a community on-line school for students whom their parents have chosen to home-school or various other reasons.

The District acts as fiscal agent for state funds provided by the State of Ohio to Liberty Christian Academy, which has two branches located within the boundaries of the District. Revenue and expenditures of these schools are reported as a governmental activity of the District.

The Superintendent is the chief executive officer of the District, responsible to the Board for total educational and support operations. The Treasurer is the chief financial officer of the District, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the District, acting as custodian of all District funds, and investing idle funds as permitted by Ohio law.

ECONOMIC CONDITION AND OUTLOOK

The majority of the District lies within Licking County. The tables below illustrate the five year history of the unemployment rate and civilian employment for Licking County, the State of Ohio and the United States for June of each year (Historical Civilian Labor Forces Estimates, Ohio Department of Job and Family Services).

Area Name	Unemployment Rate					Employment				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
Licking County	6.5%	6.0%	5.8%	5.1%	6.0%	75,200	76,000	77,100	78,700	80,000
OH (Seas. Adj.)	6.3%	6.2%	5.9%	5.4%	6.1%	5,503,000	5,505,200	5,542,400	5,610,400	5,637,100
US (Seas. Adj.)	6.3%	5.6%	5.0%	4.6%	4.5%	137,782,000	139,162,000	141,704,000	144,386,000	146,140,000

As noted above, the unemployment rate for Licking County has fared slightly better than the State of Ohio; however, Licking County and the State of Ohio are significantly higher than the US unemployment rate. In addition, the Employment table above shows that job growth occurring in Licking County (6.3%) is outpacing the job growth occurring statewide (2.4%) and nationwide (6.1%). Specific employment figures for the District are not available.

Although the District had been impacted by the national recession in FY03 and FY04 regarding income tax collections, the District experienced an 8.23% increase in income tax collections in FY05, a 9.35% increase in FY06, and a 10.59% increase in FY07.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Accomplishments for 2007

Financial

Completing and submitting the first CAFR and Popular Annual Financial Report (PAFR) for the District.

Instruction

Local Report Card

The district has earned the “Effective” rank on the state of Ohio’s Local Report Card. According to the Ohio Department of Education, the district has met 27 of 30 state indicators. The district’s performance index score is 96.5. All points earned by a school or a district are averaged and multiplied by 100 to generate a school index. The District’s performance index score is an important indicator of success because it reflects the achievement of every student tested.

Etna Elementary was in At-Risk status last year; however, it met AYP and is now an Effective School. Pataskala Elementary met its AYP and is an Effective School and Kirkersville also met AYP and is an Excellent School. Finally, WMHS did not meet AYP; however they are again an Excellent School.

Third Grade Reading OAT Test Results

	2004 Results	2005 Results	2006 Results	2007 Results
District	62.2	67.4	61	69

2007 State Average 62%

2007 Like District Passage = 74%

2006 District Results

- Advanced = 19%
- Accelerated = 20%
- Proficient = 22%
- Basic = 20%
- Limited = 20%

2007 District Results

- Advanced = 23%
- Accelerated = 29%
- Proficient = 17%
- Basic = 13%
- Limited = 18%

At the third grade level, this is the highest rate of students scoring proficient and above that the district has ever earned!

Initiatives for 2008

Financial

To receive the Certificate of Excellence in Financial Reporting from the GFOA for the District’s 2007 CAFR and to receive the Award for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA for the 2007 PAFR.

Bond Issue/Operating Levy

The District has placed on the ballot for the March 4, 2008 primary election a \$68,150,000 bond issue and an additional .25% continuing income tax. The bond issue will be used to build a 1,600 enrollment high school that will be designed to allow for expansion to an 1,800 enrollment high school in the future. The existing high school will be converted from grades 9-12 into grades 6-8. This will allow our existing high school to have one grade fewer students leaving room for growth. The existing middle school will be converted from grades 6-8 into grades 4-5. This will allow our existing middle school to have one grade fewer students leaving room for growth. The three elementary school buildings will be changed from grades 1-5 to grades K-3 with the possibility of offering all day everyday kindergarten. This will allow our existing three elementary schools to have one grade fewer students leaving room for growth. The additional .25% income tax is estimated to generate approximately \$1,300,000 per year and will be used for operational cost for the new high school.

The millage rate certified by the Licking County Auditor (the “Auditor”) for the \$68,150,000 bond issue is 7.5 mills. The Auditor calculates the average principal and interest payment over the 28 year period. The Auditor divides the average principal and interest payment by the District’s property values to calculate the millage rate. In addition, the Auditor assumes the District’s property values will not increase over the 28 year period. The method used by the Auditor results in the first debt payment being the largest and the last debt payment being the smallest. The Board of Education has flexibility in structuring the principal and interest repayment schedule (the “Schedule”) when issuing the bonds to build the new high school. The Board of Education has received a draft Schedule, from the District’s underwriter Fifth-Third Bank, which would not require the Auditor to collect more than 4.0 mills of property taxes in any one calendar year and assumes an increase in the District’s property values during the 28 year period. This is achieved by structuring the Schedule similar to a home mortgage. More interest and less principal is paid in the early years of the Schedule; thereby, reducing the amount of millage the Auditor would need to assess on current property owners. By structuring the Schedule this way, the Board of Education is basically leveling the millage to be paid by current and future taxpayers across the 28 year period.

Instruction

Standards Based Report Cards

Created by a committee of teachers and administrators, the new report card provides parents/guardians better information concerning their child's academic progress. Three types of assessment are reported on this report card; content assessment, effort, and progress towards meeting state standards. Specifically, these new reports provide detailed information about reading, the writing process, mathematics, social studies, science and general development skills. Progress towards meeting state standards is indicated with a check mark and lack of such progress is indicated with a dash.

Educational Management Information System (EMIS)

Like all other Ohio schools, the District is involved in the successful implementation of the Ohio EMIS system for financial, staff, and student information. As mandates and procedures evolve and change this is an area of constant revision.

Intervention First

Intervention first grade is NOT a special education placement. Instead, this class is intended as a strong support program for children who are developmentally young, who have or had extenuating health issues, who demonstrate some learning difficulties, or for those children who are in need of more age and experience appropriate life and school experiences. Students in the class are instructed by a classroom teacher, reading specialist and teacher aide. First grade curriculum is not altered and the Ohio Content Standards are taught in this intervention first grade program. Every effort is made to keep the classroom size at fifteen and the goal of the program is that every child will progress to second grade at year-end.

Professional Development

Our Continuous Improvement Committee attended *A Framework for Understanding Poverty* featuring **Dr. Ruby Payne**. Dr. Payne has been a professional educator since 1972, serving as a secondary teacher and department chairperson, elementary principal, and central office administrator. Since 1994, she has been sharing her insights about the culture of poverty and how to help educators work effectively with children and adults from that culture. Dr. Payne teaches about the hidden rules of economic class and spreads the message that, despite the obstacles poverty can create in all types of interactions, there are specific strategies for overcoming them. A gifted synthesizer, she presents her research and observations in such a way that many people experience "eye-opening learning," enhancing their own abilities to help students from poverty succeed.

Data Analysis Meetings, Curriculum Mapping and Common Assessments

While these meetings are very time consuming, the end result is quite productive. The meetings address teacher concerns, help them analyze their assessment data, and help them plan their instruction in response to the data analysis. Emphasis is being placed on working with special education students in the general education classroom and reviewing the Ohio Content Standards in detail. Specifically, we have examined the standards, benchmarks and indicators in terms of the performance and knowledge required and the level of questioning and activity required in Bloom's Taxonomy to teach effectively the standard. Additionally, we have mapped out a plan to determine the most enduring indicators which we will emphasize in our courses, create a pacing chart to make certain we teach the material within the school year, and finally develop a common quarterly assessment for the indicators selected and paced. This work requires a great deal of thinking and a great deal of dialog among teachers. Short Cycle assessments are ultimately the goal for Southwest Licking. All teachers grades K-12 will be assessing students on a more consistent basis throughout the district in order to inform instruction.

Intervention Assistance Team

Over the past year building teams have gone through extensive training through COSERRC to implement the IAT Process into each of the six buildings. In August we completed a two day workshop, led by our SWL psychology department. We have hired a consultant: a Doctor of Philosophy, School Psychology, from The Ohio State University, to lead us through the building implementation process. As a staff we are working together to provide research based interventions to our students.

DRA Training

The Developmental Reading Assessment provides teachers with a method for assessing and documenting primary students' development as readers over time within a literature-based instructional reading program. The DRA is designed to be used in K-3 classrooms with rich literate environments. The assessments are conducted during one-on-one reading conferences as children read specially selected assessment texts. A set of 20 stories, which increase in difficulty, are used for the assessment. The DRA evaluates two major aspects of reading: accuracy of oral reading and comprehension through reading and retelling of narrative stories.

Everyday Math

Students acquire knowledge and skills, and develop an understanding of mathematics from their own experience. Mathematics is more meaningful when it is rooted in real life contexts and situations, and when children are given the opportunity to become actively involved in learning. Teachers and other adults play a very important role in providing children with rich and meaningful mathematical experiences.

Four Blocks

The Four-Blocks framework was developed by teachers who believed that to be successful in teaching ALL children to read and write. The Four-Blocks Guided Reading, Self Selected Reading, Writing and Words--represent four different approaches to teaching children to read. The difference between children--their different literacy levels--is accomplished by using a variety of formats to provide additional support for children who struggle and additional challenges for children who catch on quickly.

D3A2

(Driven Decisions for Academic Achievement) Southwest Licking is one of 12 schools in the state piloting the Beta project. To date, our teachers are responding positively to the information available. At this time, the ODE has *made D3A2 Content available to all Districts*. Thousands of content resources are available, including assessments, lesson plans, videos and other resources aligned to Ohio's Academic Content Standards. These resources are made available free of charge by 14 Ohio content providers who have agreed to rigorous development, review and alignment policies. Updates regarding the full-scale (district data loaded) roll-out of D3A2 are expected in the coming months.

Value Added Progress Measures

Value Added becomes part of Ohio's accountability system this school year. The Director of Instruction, an Elementary Principal and the Assistant Superintendent completed 30+ hours of training around the concepts of VA and plans are underway to explain VA to the district's grades 3-8 teachers. In addition, we will continue our training the following year; adding additional administrator's in the training.

Teacher Educator Standards

The Ohio Department of Education adopted standards for Teachers, Principals and Professional Development. The standards are divided into the standard, a short narrative, an element and an observable indicator. All standards are in effect beginning the 2007-2008 school year. These standards have been shared with the Continuous Improvement Leadership team.

Course Descriptions: Watkins Memorial High School and Watkins Middle School

A first ever for WMS! The WMS Course Description is intended to inform parents of the course offerings in the MS and allow them to look ahead to their child's middle school future and allow us to better communicate with parents about our curriculum. This document will be posted on the WMS page of the district's website.

AP Audit

Watkins Memorial High School submitted required documentation to the College Board for a required AP Course Audit, the process through which schools request authorization to label their 2007-08 courses "AP." AP Calculus and AP English teachers were all approved. In November, our courses were on a list of approved "AP" courses per High School and were published as a web-based ledger for colleges, universities and the public.

In addition, WMHS will add an Introductory Statistics course, AP Statistics Course and elective Physical Education course for the 2007-2008 school year. The addition of AP Statistics increases the number of AP courses taught at the HS to four (Literature, Composition, Calculus and now, Statistics).

Watkins Memorial High School Schedule: Zero Period

Because of the lack of classroom space and because of the increasing enrollment, a zero period is being implemented next year. Students and staff were surveyed to determine buy-in. Zero period will be open to juniors and seniors only and those students must demonstrate acceptable attendance and tardiness records.

Summer School 2007

OGT courses are being offered at a 50% discount. We hope this encourages greater participation in summer intervention and summer testing. During the summer of 2007, we had 49 students enrolled in OGT Review classes who retook the OGT.

- 27 students received a score in the proficient range or higher.
- Our overall passage rate was 55%.
- 39 out of the 49 students improved their scores from the March testing.

Our overall improvement rate was 80%.

Watkins Middle School: Course Additions

The following courses will be added during the 2007-2008 school year: 6th grade Honor's Math; Honors Algebra I (for math identified gifted students and for high school credit); Foreign Language (for 7th and 8th grade students); Career Exploration; Information Technology (a 6th grade keyboarding course is being rewritten to address Ohio's Information Technology Standards).

Teaming in the middle school 2007-2008

All middle grade levels will work as teams. Students will be assigned to teams which is one of the most significant components of a middle school education. The schedule includes built-in intervention and one hour of team time. This time will allow for cooperative team planning, student intervention and enrichment and student support for homework, guidance, etc. Each teacher will teach six classes and each team schedule will consist of six core areas.

Technology

In the area of elementary reading instruction, www.readingA-Z.com, has been purchased for K-5 teachers. Reading A-Z offers printable teacher materials to teach guided reading, phonemic awareness, reading comprehension, reading fluency, alphabet, and vocabulary. The teaching resources include professionally developed downloadable leveled books, lesson plans, worksheets and reading assessments. The reading program's downloadable books and lesson plans are standards based and results oriented.

Vantage Learning/MyAccess!

Southwest Licking has purchased computer software that diagnoses and assesses the writing ability of students and provides immediate instructional feedback to help students develop their writing skills in regards to: focus, meaning, organization, content and development, language use and style, and mechanics and conventions. Writing topics are aligned to the Ohio Academic Content Standards and will be utilized across the curriculum in all core content areas. Teachers in grades 7-10 will spend less time grading papers and more time looking at data to drive instruction.

Science Supplementals

The summer third and fourth grade teachers were asked to review reading materials from Macmillan/McGraw-Hill that were tied directly to the Ohio Content Standards. The order included student additions, leveled readers, assessment kits, presentation kits, class inquiry tool kits and books on CD for listening centers.

History Alive! Textbook Adoption

In addressing the curriculum needs, the Board has continued to update textbooks throughout the district, the latest being new social studies textbooks. Grades 5-8 were overwhelmingly positive about the relation the series had to the Ohio Academic Content Standards.

FINANCIAL INFORMATION

Internal and Budgetary Controls

In developing the District's accounting system much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation and that the valuation of cost and benefits requires estimates and judgments by management.

The District utilizes a fully automated accounting system as well as an automated system of control for capital assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensure that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the Board of Education adopts either a temporary appropriation measure or a permanent appropriation measure for that fiscal year. If a temporary appropriation is first adopted, the permanent appropriation measure must be adopted by law no later than October 1 or once the County Auditor has completed the tax duplicate for the upcoming calendar year.

Annual appropriations may not exceed the County Budget Commission's official estimate of resources. The County Auditor must certify that the Board of Education's appropriations measure, including any supplements or amendments, do not exceed the amount set forth in the latest of these official estimates. All disbursements and transfers of cash between funds require appropriation authority from the Board of Education. Budgets are controlled at the fund level for all funds. All requisition requests must be approved by the Building Principal or Supervisor, and the Superintendent. The Superintendent and the Treasurer must certify that the necessary funds are available for encumbrance. Once certified the purchase orders are created and released to vendors. The accounting system used by the District provides interim financial reports which detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations made to date. In addition to interim financial statements, each Building Principal and Supervisor may go on-line daily to review the status of the budget accounts for which he or she is responsible.

As an additional safeguard, a blanket bond covers all employees involved with receiving and depositing funds, and a separate higher bond covers certain individuals in policy making roles. The basis of accounting and the various funds and account groups utilized by the District are fully described in the notes to the basic financial statements.

Cash Management

The District operates a cash management program designed to provide safety, liquidity and yield in that order which is in compliance with Senate Bill 81. Funds are invested in the State of Ohio Treasurer's Investment Pool (STAR OHIO), in United States government bills, notes or agencies, in high-grade commercial paper, in high-grade banker's acceptances or, certificates of deposit.

The Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets provides protection of the District's cash and investments. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least one hundred and ten percent of public funds deposited. The designated third party trustees of the financial institutions hold collateral.

Risk Management

The District continues to protect its assets through a comprehensive insurance program. However, the district is exposed to various risks of loss related to torts, theft or, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2007, the District contracted with Ohio School Plan for general liability, fleet and property insurances. General liability had a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate limit with no deductible. Fleet insurance requires \$250 deductible for comprehensive and \$500 deductible for collision. Property insurance deductibles range from \$1,000 to \$25,000 depending upon the type of property and loss.

The District participates in the State Workers' Compensation System, which is a premium-based program. The premium rate is calculated through an actuarial analysis based on account history and administrative cost.

The District has elected to provide employee medical, dental, vision and life insurance benefits. United Health Care is the District's medical insurance provider. This is a fully insured plan that permits the District to pay a negotiated premium each month for each employee. The District negotiated a one-year plan with United Health Care that covers the period from July 1, 2006 through June 30, 2007. Premiums increased effective July 2006 by 5.0%. The increase was due to increased trend and claims payment history. The Board pays 80% of the premium for single and family coverage. The District Insurance Committee reviews and makes recommendations on coverage and plan design. This committee consists of representatives of all associations (unions), non-union staff, and the District Administration. By negotiated agreement, this committee does not have the authority to modify district insurance programs and employee contributions. All recommended changes would have to be ratified by all associations and the Board of Education

The Board pays \$35 per month towards a composite premium for dental insurance. The dental plan includes a \$25 deductible per year for individual and \$50 deductible per year for family with various co-payments required for restorative work; preventative work is covered at 100 percent. The benefit is limited to \$1,000 per person each fiscal year.

The Board pays 100% of the premium for life insurance. Life insurance is provided for all full time employees, except administrative and supervisory employees, in the amount of \$35,000. Life insurance is provided for all administrative and supervisory employees at various levels depending upon their annual salary.

The vision plan is 100% employee paid. The vision plan allows for a vision exam every year with an allowance for glasses/contacts.

Long-Term Financial Planning

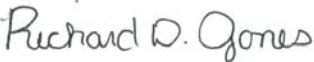
The District prepares a five-year financial forecast annually for use as a tool for long range planning. The five-year forecast contains projected local and state revenues, spending patterns within each area of the budget, and cash balances in the District's operating fund. The five-year forecast provides early warning signs of potential financial problems.

The District uses the five-year forecast to provide a basis for making financial decisions, including the construction of the annual budget, adjustments to staffing levels, collective bargaining, and the placement of tax levies on the ballot.

ACKNOWLEDGEMENTS

The preparation of the CAFR was made possible with the diligent work provided by Kennedy, Cottrell, Richards Accounting Firm, the staff in the Treasurer's office, and the support of the Board of Education. A special thanks goes out to the Superintendent and Director of Curriculum and Instruction for their input and assistance in this project.

Respectfully submitted,


Richard D. Jones
Treasurer


Forest L. Yocum
Superintendent

PRINCIPAL OFFICIALS

Board of Education

Donald Huber	President
David Engel	Vice-President
Scott Hayes	Member
Brad Williams	Member
Roger Zeune	Member

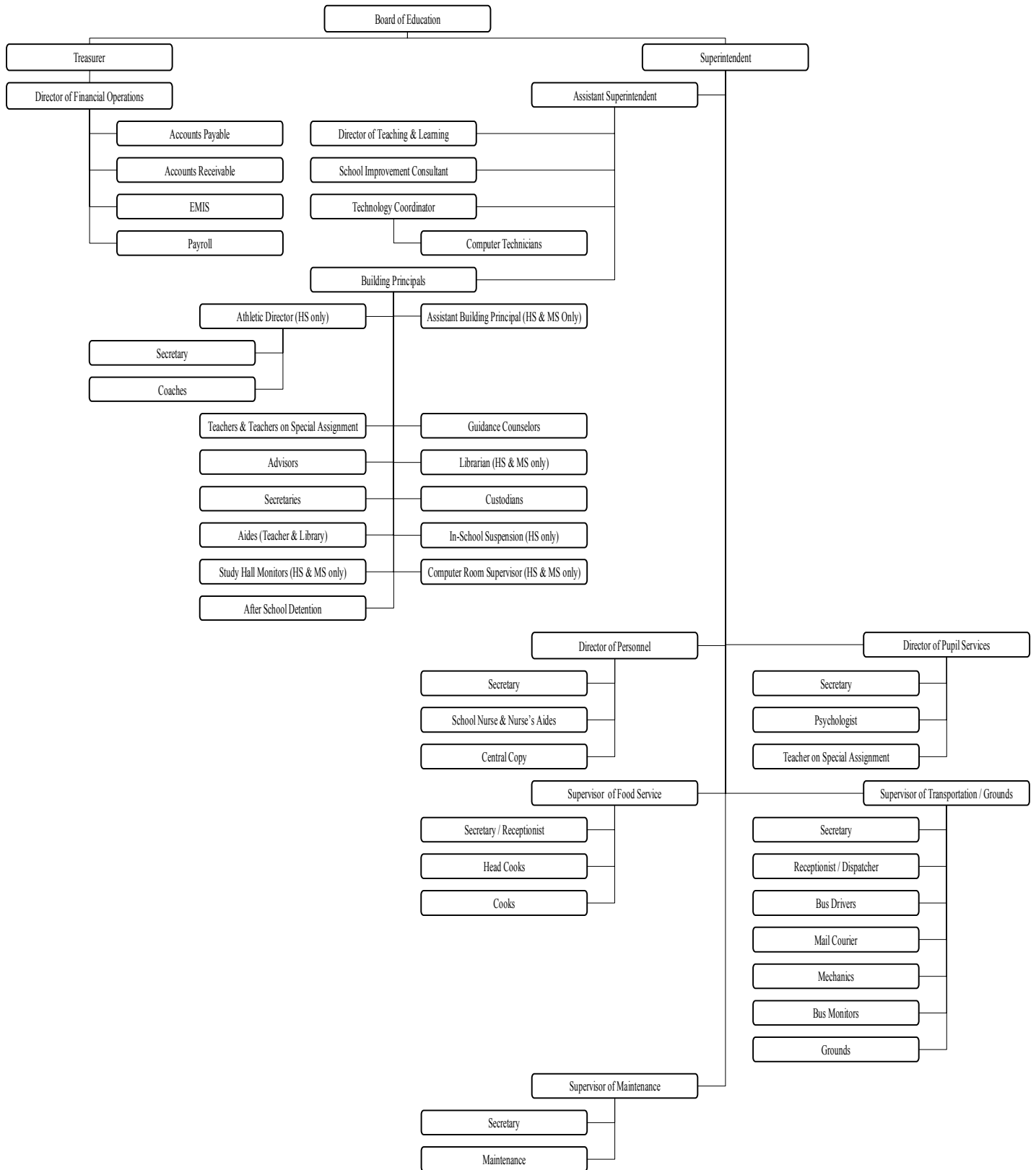
Administrative / Supervisory Staff

Forest Yocum	Superintendent
Kim Miller-Smith	Assistant Superintendent
William Bremer	Director of Personnel
Charla MacKenzie	Director of Pupil Services
Barbara Triplett	Director of Teaching & Learning
Georgene Graves	School Improvement Consultant
Steven Donahue	Watkins High School Principal
Kristi Thompson	Watkins High School Assistant Principal
John McGiffin	Athletic Director
Chris Kyre	Watkins Middle School Principal
Debra Klier	Watkins Middle School Assistant Principal
Denise Staffilino	Pataskala Elementary Principal
Patricia Doran	Kirkersville Elementary Principal
Paula Englert	Etna Elementary Principal
Charles Parsons	Kindergarten Center Principal
Richard Jones	Treasurer
Milinda Sturm	Director of Financial Operations
Judy Riley	Supervisor of Food Service
Tim Eveland	Supervisor of Maintenance
Todd Liston	Supervisor of Transportation / Grounds
Jeff Cameron	Technology Coordinator

Treasurer's Department Staff

Kari Clouston	Accounts Payable
Cathy Donahue	Accounts Receivable
Dianne Kellett	EMIS
Jennifer Clifton	Payroll

Southwest Licking Local School District Organizational Chart



II. FINANCIAL SECTION

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Southwest Licking Local School District
927-A South Street
Pataskala, Ohio 43062

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Southwest Licking Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southwest Licking Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District, Licking County, Ohio, as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 25 to the basic financial statements, Southwest Licking Local School District restated its net assets and fund balances at June 30, 2006 due to the implementation of accounting principles generally accepted in the United States of America.

Independent Auditor's Report
Southwest Licking Local School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007 on our consideration of Southwest Licking Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southwest Licking Local School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Julian & Grube, Inc.
December 18, 2007

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (UNAUDITED)

As management of the Southwest Licking Local School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 4-8 of this report.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$12.7 million (net assets). Of this amount, \$2.4 million (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$3.2 million during the fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7.9 million, an increase of \$3.1 million, or 63.5% in comparison with the prior year. Of this amount, \$2.8 million is available for spending at the District's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$3.1 million, or 10.8% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements include not only the District itself (known as the primary government), but also a legally separate Digital Academy for which the District is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 27-28 of this report.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (UNAUDITED)

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, permanent improvement fund, and debt service fund, each of which are considered major funds. Data from the other 19 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and schedules elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 29-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The basic fiduciary fund financial statement can be found on page 34 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 35 of this report.

Other information. The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds can be found on pages 70-87 of this report.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$12.7 million at the close of the current fiscal year.

By far the largest portion of the District's net assets (53%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An analysis of fiscal year 2007 in comparison with fiscal year 2006 follows for the Statement of Net Assets:

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Current Assets	28,103,172	24,148,157	16.4%
Capital Assets	27,176,599	27,838,005	-2.4%
Total Assets	<u>55,279,771</u>	<u>51,986,162</u>	6.3%
Current Liabilities	19,260,956	18,850,429	2.2%
Long-term Liabilities	23,342,193	23,641,107	-1.3%
Total Liabilities	<u>42,603,149</u>	<u>42,491,536</u>	0.3%
Invested in Capital Assets net of related debt	6,716,510	5,966,011	12.6%
Restricted	3,578,788	3,058,627	17.0%
Unrestricted	2,381,324	469,988	406.7%
Total Net Assets	<u>12,676,622</u>	<u>9,494,626</u>	33.5%

An additional portion of the District's net assets (28%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2.4 million) may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

An analysis of fiscal year 2007 follows for the Changes in Net Assets:

Governmental Activities

	<u>2007</u>
Program Revenues	
Charges for Services	2,227,846
Operating Grants	1,894,856
General Revenues	
Property Taxes	15,667,709
Income Taxes	4,202,777
Grants and Entitlements	11,601,687
Payments in Lieu of Taxes	1,736,371
Investment Earnings	502,977
Miscellaneous	65,149
Total Revenues	<u>37,899,372</u>
Program Expenses	
Instructional	17,750,751
Support Services	12,430,200
Non-instructional	1,472,586
Extra Curricular Activities	1,335,938
Interest and Fiscal Charges	1,010,625
Miscellaneous	717,276
Total Expenses	<u>34,717,376</u>

In fiscal year 2006, the District prepared its basic financial statements on the modified cash basis of accounting; therefore, we have not provided a comparison of fiscal year 2007 to fiscal year 2006. In future years, we will present such a comparison in accordance with generally accepted accounting principles.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

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

An analysis of fiscal year 2007 follows:

	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>
Program expenses		
Instructional	\$ 17,750,751	\$ 16,476,441
Support services	12,430,200	11,672,824
Non-instructional	1,472,586	73,082
Extra Curricular Activities	1,335,938	644,425
Interest	1,010,625	1,010,625
Miscellaneous	<u>717,276</u>	<u>717,276</u>
Total	<u>\$ 34,717,376</u>	<u>\$ 30,594,673</u>

In fiscal year 2006, the District prepared its basic financial statements on the modified cash basis of accounting; therefore, we have not provided a comparison of fiscal year 2007 to fiscal year 2006. In future years, we will present such a comparison in accordance with generally accepted accounting principles.

Financial Analysis of the District's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7.9 million, an increase of \$3.1 million in comparison with the prior fiscal year. Of this amount, \$2.8 million is available for spending at the District's discretion (unreserved fund balance). The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period (\$1 million), 2) to pay debt service (\$2.3 million), 3) set-aside for budget stabilization (\$1.1 million), and 4) for a variety of other restricted purposes (\$.7 million).

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The schedule below indicates the fund balance for June 30, 2007.

	<u>Fund Balance June 30, 2007</u>
General Fund	\$ 4,792,141
Debt Service Fund	2,408,702
Permanent Improvement Fund	511,636
Other Governmental Funds	<u>220,584</u>
Total	<u><u>\$ 7,933,063</u></u>

In fiscal year 2006, the District prepared its basic financial statements on the modified cash basis of accounting; therefore, we have not provided a comparison of fiscal year 2007 to fiscal year 2006. In future years, we will present such a comparison in accordance with generally accepted accounting principles.

General Fund

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$3.1 million, while total fund balance was \$4.8 million. As a measure of the general funds liquidity, it may be useful to compare both unreserved and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 10.8% of total general fund expenditures, while total fund balance represents 16.8% of that same amount.

The tables that follow assist in illustrating the financial activities and balances of the General Fund.

	<u>2007</u>
<u>Revenues:</u>	
Property Taxes	\$ 12,595,442
Income Taxes	4,202,777
Intergovernmental	13,179,509
Interest	429,811
Tuition and Fees	692,868
Extracurricular Activities	144,762
Other	<u>59,220</u>
Total Revenues	<u><u>\$ 31,304,389</u></u>
<u>Expenses:</u>	
Instruction	\$ 16,619,893
Support Services	11,376,238
Extracurricular Activities	<u>566,940</u>
Total Expenditures	<u><u>\$ 28,563,071</u></u>

In fiscal year 2006, the District prepared its basic financial statements on the modified cash basis of accounting; therefore, we have not provided a comparison of fiscal year 2007 to fiscal year 2006. In future years, we will present such a comparison in accordance with generally accepted accounting principles.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (UNAUDITED)

The fund balance of the District's general fund increased by \$2.7 million during the current fiscal year. Fiscal year 2007 was the first full year of collection of the \$3.25 million operating levy passed in May 2005. The increase in property tax collections, coupled with a \$378 thousand increase in school district income tax collections, were the key factors of the general fund increase.

Bond Retirement Fund

The debt service fund has a total fund balance of \$2.4 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$.6 million. This increase represents the amount by which property tax related receipts outstripped the current year debt service requirements.

Permanent Improvement Fund

The permanent improvement fund has a total fund balance of \$.5 million, a \$43 thousand decrease in comparison with the prior year.

General Fund Budget Information

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

There were only minimal differences between the District's original and final budgeted amounts. Actual revenues exceeded the final revenues estimate by \$649,758, or 2.1%, and actual expenditures were \$76,994, or less than 1%, less than final appropriations.

Capital Assets

The District's investment in capital assets as of June 30, 2007, amounts to \$27,176,599 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$20,982,595. In addition, the District had \$600,000 in tax anticipation notes outstanding. Detailed information regarding long-term and short-term obligations is included in the notes to the basic financial statements.

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2007, the District's general obligation debt was below the legal limit.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (UNAUDITED)

Economic Factors

The District's current five year forecast is projecting a positive cash balance through fiscal year 2011. The positive cash balance forecasted through fiscal year 2011 is largely attributed to the District voters approving two levies during fiscal year 2005. In November 2004 the District renewed a 2.8 mill permanent improvement levy for five additional years. In May 2005, the voters approved an emergency operating levy that will generate \$3,250,000 each year for a five year period.

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information you may contact Richard D. Jones, Treasurer/CFO, Southwest Licking Local School District, 927-A South Street, Pataskala, Ohio 43062. Or E-Mail at rdjones@laca.org.

BASIC FINANCIAL STATEMENTS

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**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	Primary Government Governmental Activities	Component Unit Southwest Licking Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 7,466,547	\$ 18,342
Investments	1,958,143	-
Cash in a Segregated Account	363	-
Restricted Cash and Cash Equivalents	55,263	-
Receivables:		
Property Taxes	16,096,530	-
Income Taxes	1,740,321	-
Accounts	124,154	3,061
Intergovernmental	342,052	-
Interest	44,768	-
Supplies Inventory	25,719	-
Inventory Held for Resale	20,323	-
Deferred Bond Issuance Costs	228,989	-
Nondepreciable Capital Assets	778,952	-
Depreciable Capital Assets, Net	26,397,647	-
Total Assets	55,279,771	21,403
Liabilities		
Accounts Payable	144,852	2,909
Accrued Salaries Payable	2,459,484	-
Intergovernmental Payable	875,557	-
Accrued Interest Payable	87,817	-
Unearned Revenue	15,093,246	-
Tax Anticipation Note	600,000	-
Long-Term Liabilities		
Due within One Year	1,483,219	-
Due in More Than One Year	21,858,974	-
Total Liabilities	42,603,149	2,909
Net Assets		
Invested in Capital Assets, Net of Related Debt	6,716,510	-
Restricted for:		
Debt Service	2,522,437	-
Capital Projects	532,813	-
District Managed Activities	323,598	-
Unexpended Grants	114,081	-
Other Purposes	85,859	-
Unrestricted	2,381,324	18,494
Total Net Assets	\$ 12,676,622	\$ 18,494

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Component Unit Southwest Licking Digital Academy
Governmental Activities					
Instruction					
Regular Instruction	\$ 12,348,161	\$ 296,756	\$ 129,453	\$ (11,921,952)	\$ -
Special Instruction	3,035,039	61,681	542,575	(2,430,783)	-
Vocational Instruction	424,648	10,492	28,652	(385,504)	-
Other Instruction	1,942,903	42,391	162,310	(1,738,202)	-
Support Services					
Pupils	2,027,921	45,165	114,559	(1,868,197)	-
Instructional Staff	1,335,768	28,862	148,479	(1,158,427)	-
Board of Education	41,323	1,023	-	(40,300)	-
Administration	2,774,874	64,331	49,450	(2,661,093)	-
Fiscal Services	810,437	19,468	1,958	(789,011)	-
Business Operations	150,234	1,877	9,166	(139,191)	-
Operation and Maintenance of Plant	2,368,839	57,701	19,602	(2,291,536)	-
Pupil Transportation	2,284,131	51,034	72,950	(2,160,147)	-
Central	636,673	12,087	59,664	(564,922)	-
Non-instructional	1,472,586	843,672	555,832	(73,082)	-
Extra Curricular Activities	1,335,938	691,306	207	(644,425)	-
Interest and Fiscal Charges	1,010,625	-	-	(1,010,625)	-
Miscellaneous	16,804	-	-	(16,804)	-
Unallocated Depreciation	700,472	-	-	(700,472)	-
Total Governmental Activities	\$ 34,717,376	\$ 2,227,846	\$ 1,894,856	\$ (30,594,674)	\$ -
Component Unit					
Southwest Licking Local Digital Academy	\$ 254,210	\$ -	\$ 263,046	\$ -	\$ 8,836
General Revenues					
Property Taxes Levied for:					
General Purposes				\$ 12,511,033	\$ -
Debt Service				2,328,307	-
Capital Projects				828,369	-
Income Taxes				4,202,777	-
Grants & Entitlements not Restricted				11,601,687	4,651
Payment in Lieu of Taxes				1,736,371	-
Investment Earnings				502,977	3,472
Miscellaneous				65,149	-
Total General Revenues				33,776,670	8,123
Change in Net Assets				3,181,996	16,959
Net Assets Beginning of Year, Restated				9,494,626	1,535
Net Assets End of Year				\$ 12,676,622	\$ 18,494

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 5,382,694	\$ 1,328,851	\$ 344,548	\$ 410,454	\$ 7,466,547
Investments	-	-	1,958,143	-	1,958,143
Cash in a Segregated Account	-	-	-	363	363
Restricted Cash and Cash Equivalents	55,263	-	-	-	55,263
Receivables:					
Property Taxes	13,170,949	827,433	2,098,148	-	16,096,530
Income Taxes	1,740,321	-	-	-	1,740,321
Accounts Intergovernmental	124,154	-	-	-	124,154
Interest	-	-	-	342,052	342,052
Supplies Inventory	44,768	-	-	-	44,768
Inventory Held for Resale	25,719	-	-	-	25,719
Due From Other Funds	-	-	-	20,323	20,323
Due From Other Funds	200,000	-	-	-	200,000
Total Assets	<u>\$20,743,868</u>	<u>\$ 2,156,284</u>	<u>\$ 4,400,839</u>	<u>\$ 773,192</u>	<u>\$28,074,183</u>
Liabilities:					
Accounts Payable	\$ 65,571	\$ 55,890	\$ -	\$ 23,391	\$ 144,852
Accrued Wages and Benefits	2,287,595	-	-	171,889	2,459,484
Intergovernmental Payable	796,837	-	-	78,720	875,557
Due to Other Funds	-	200,000	-	-	200,000
Deferred Revenue	12,757,167	788,758	1,992,137	276,592	15,814,654
Compensated Absences Payable	44,557	-	-	2,016	46,573
Tax Anticipation Note	-	600,000	-	-	600,000
Total Liabilities	<u>15,951,727</u>	<u>1,644,648</u>	<u>1,992,137</u>	<u>552,608</u>	<u>20,141,120</u>
Fund Balances:					
Reserved for:					
Encumbrances	19,508	891,347	-	48,469	959,324
Unclaimed Monies	6,504	-	-	-	6,504
Supplies Inventory	25,719	-	-	20,323	46,042
Property Taxes	501,218	38,675	106,011	-	645,904
Bus Purchase Allowance	48,759	-	-	-	48,759
Designated for:					
Budget Stabilization	1,100,000	-	-	-	1,100,000
Unreserved/Undesignated, Reported in:					
General Fund	3,090,433	-	-	-	3,090,433
Special Revenue Funds	-	-	-	127,672	127,672
Debt Service Fund	-	-	2,302,691	-	2,302,691
Capital Project Funds	-	(418,386)	-	24,120	(394,266)
Total Fund Balances	<u>4,792,141</u>	<u>511,636</u>	<u>2,408,702</u>	<u>220,584</u>	<u>7,933,063</u>
Total Liabilities and Fund Balances	<u>\$20,743,868</u>	<u>\$ 2,156,284</u>	<u>\$ 4,400,839</u>	<u>\$ 773,192</u>	<u>\$28,074,183</u>

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total Governmental Fund Balances	\$ 7,933,063
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,176,599
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	721,408
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Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and Notes Payable	(20,866,051)
Plus: Issuance Premium	(1,173,215)
Less: Deferred Charge on Refunding	1,056,671
Less: Deferred Charge for Issuance Costs	228,989
Accrued Interest Payable	(87,817)
Capital Leases Payable	(153,001)
Compensated Absence Payable	(2,135,024)
Retirement Incentive Payable	(25,000)
	(23,154,448)

Net Assets of Governmental Activities	<u><u>\$ 12,676,622</u></u>
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See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 12,595,442	\$ 808,414	\$ 2,301,594	\$ -	\$ 15,705,450
Income Taxes	4,202,777	-	-	-	4,202,777
Intergovernmental	13,179,509	106,193	252,839	1,484,688	15,023,229
Charges for Services	-	-	-	843,177	843,177
Interest	429,811	31,327	12,979	28,860	502,977
Tuition and Fees	692,868	-	-	-	692,868
Extracurricular Activities	144,762	-	-	421,607	566,369
Other	59,220	-	-	125,432	184,652
Total Revenues	31,304,389	945,934	2,567,412	2,903,764	37,721,499
Expenditures:					
Instruction:					
Regular	11,990,826	164,754	-	90,815	12,246,395
Special	2,492,279	-	-	521,397	3,013,676
Vocational	423,947	-	-	-	423,947
Other	1,712,841	-	-	160,671	1,873,512
Support services:					
Pupils	1,824,938	12,558	-	106,275	1,943,771
Instructional Staff	1,166,189	-	-	143,653	1,309,842
Board of Education	41,323	-	-	-	41,323
Administration	2,599,355	-	-	47,403	2,646,758
Fiscal Services	786,636	13,332	-	-	799,968
Business Operations	75,826	62,415	35,448	-	173,689
Operation and Maintenance of Plant	2,331,472	96,787	-	3,135	2,431,394
Pupil Transportation	2,062,110	266,203	-	536	2,328,849
Central	488,389	108,206	-	35,539	632,134
Non-instructional Services	-	-	-	1,450,647	1,450,647
Extracurricular Activities	566,940	129,517	-	546,380	1,242,837
Capital Outlay	-	211,343	-	-	211,343
Debt service:					
Principal Retirement	-	41,126	1,165,000	-	1,206,126
Interest and Fiscal Charges	-	11,082	777,528	-	788,610
Total Expenditures	28,563,071	1,117,323	1,977,976	3,106,451	34,764,821
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,741,318	(171,389)	589,436	(202,687)	2,956,678
Other financing sources (uses):					
Other Financing Uses	(6,202)	-	-	(3,777)	(9,979)
Proceeds from Sale of Assets	4,892	-	-	1,037	5,929
Proceeds from Inception of Capital Lease	-	128,510	-	-	128,510
Total other financing sources (uses)	(1,310)	128,510	-	(2,740)	124,460
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,740,008	(42,879)	589,436	(205,427)	3,081,138
Fund Balance Beginning of Year, Restated	2,052,133	554,515	1,819,266	426,011	4,851,925
Fund Balance End of Year	\$ 4,792,141	\$ 511,636	\$ 2,408,702	\$ 220,584	\$ 7,933,063

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ 3,081,138**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. (535,285)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations). (15,091)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 171,944

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond and Note Principal Repayments	1,165,000
Capital Lease Principal Repayments	41,126
Inception of Capital Lease	(128,510)

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

Compensated Absences	(365,911)
Retirement Incentive	(10,400)
Accrued Interest	1,244
Amortization of Deferred Charge on Refunding	(72,087)
Amortization of Bond Issuance Costs	(15,212)
Amortization of Bond Premium	137,087
Accretion of Capital Appreciation Bonds	<u>(273,047)</u>

Change in Net Assets of Governmental Activities **\$ 3,181,996**

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE OVER/(UNDER)
Revenues:				
Property Taxes	\$ 12,473,607	\$ 12,473,607	\$ 12,635,564	\$ 161,957
Income Taxes	3,800,838	3,800,838	3,945,439	144,601
Tuition & Fees	467,395	467,395	629,042	161,647
Earnings on Investments	200,000	200,000	393,146	193,146
Extracurricular Activities	134,143	134,143	147,127	12,984
Intergovernmental	13,141,812	13,141,812	13,180,727	38,915
Miscellaneous	74,916	74,916	940	(73,976)
Total Revenues	30,292,711	30,292,711	30,931,985	639,274
Expenditures:				
Current:				
Instruction:				
Regular	12,033,913	11,880,464	11,879,689	775
Special	2,651,669	2,496,429	2,496,046	383
Vocational	411,729	417,209	417,209	-
Other	1,653,574	1,877,740	1,877,740	-
Support Services:				
Pupils	1,773,388	1,816,318	1,816,318	-
Instructional Staff	1,096,988	1,178,578	1,178,478	100
Board of Education	34,600	38,943	38,943	-
Administration	2,650,894	2,604,297	2,604,270	27
Fiscal	788,425	785,802	785,802	-
Business	66,690	69,102	69,102	-
Operation and Maintenance of Plant	2,395,771	2,336,122	2,335,139	983
Pupil Transportation	1,892,961	2,014,489	2,005,662	8,827
Central	478,519	478,564	478,564	-
Extracurricular Activities	537,997	556,939	556,939	-
Total Expenditures	28,467,118	28,550,996	28,539,901	11,095
Excess of Revenues Over (Under) Expenditures	1,825,593	1,741,715	2,392,084	650,369
Other Financing Sources (Uses):				
Proceeds from sale of assets	6,208	6,208	4,892	(1,316)
Other Financing Uses	(75,000)	(72,101)	(6,202)	65,899
Transfers -In	400,000	400,000	411,800	11,800
Transfers -Out	(400,000)	(411,800)	(411,800)	-
Advances - Out	-	(200,000)	(200,000)	-
Total Other Financing Sources (Uses)	(68,792)	(277,693)	(201,310)	76,383
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,756,801	1,464,022	2,190,774	726,752
Fund Balances at Beginning of Year	3,054,526	3,054,526	3,054,526	-
Prior Year Encumbrances Appropriated	92,781	92,781	92,781	-
Fund Balances at End of Year	\$ 4,904,108	\$ 4,611,329	\$ 5,338,081	\$ 726,752

See accompanying notes to the basic financial statements

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
AS OF JUNE 30, 2007

	Agency Fund
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 22,765</u>
Total Assets	<u>22,765</u>
Liabilities	
Held for Student Liabilities	<u>22,765</u>
Total Liabilities	<u>\$ 22,765</u>

See accompanying notes to the basic financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1953 through the consolidation of existing land areas and school districts. The District serves an area of approximately 65 square miles. It is located in Licking County, and includes the City of Pataskala, the Village of Kirkersville, and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The District is staffed by 161 non-certificated personnel and 258 certificated full time personnel who provide services to 3,812 students and other community members. The District currently operates six instructional buildings, one administrative building, and one support service building.

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

The following activities are included within the reporting entity:

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

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

Discretely Presented Component Unit. The component unit information on the Statement of Net Assets and the Statement of Activities identifies the financial data of the District's Component Unit, the Southwest Licking Digital Academy (the Academy). The Academy is reported separately to emphasize that it is legally separate from the District.

Southwest Licking Digital Academy. In March of 2003, the District's Board of Education, by resolution, created the Academy pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Academy's mission is to enhance and facilitate student learning by providing state of the art digital curriculum and instruction; innovative, collaborative leadership; and technical expertise and support that will prepare students to become lifelong learners and intelligent decision makers. The students may include, but will not be limited to, home schooled children, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students within the

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY (Continued)

District (the Academy's sponsor school district) that desire a specific course not currently offered that is available through online instruction. The Academy operates under the direction of a five-member Board of Directors made up of three-members from the District and two-members from the public, both of which are appointed by the District. The first public member shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of the Academy. The second public member shall be a person who represents the interests of parents and students served by the Academy. The Academy's board may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The Academy is a component unit of the District. The District appoints a majority of the Board of Directors and is able to impose its will on Academy. The District can suspend the Academy's operations for any of the following reasons: 1) failure to meet student performance requirements stated in its contract with the School District, 2) failure to meet generally accepted standards of fiscal management, 3) violation of any provisions of the contract with the District or applicable state or federal law, or 4) other good cause. Separately issued financial statements can be obtained from the Southwest Licking Digital Academy, P.O. Box 180, Etna, Ohio 43018-0180.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (the District's has none), which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds (the District has none), and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, tuition, grants and student fees.

The District reports unearned revenue on its statement of net assets and deferred revenue on the governmental funds balance sheet. Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. For tax receipts, the "intended to finance" criteria must also be met. Grants and entitlements received before eligibility requirements were met have also been recorded as deferred revenue. On the governmental fund financial statements receivables not collected in the available period are recognized as deferred revenue. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of net assets and governments funds balance sheet and revenue is recognized.

The District reports the following major governmental funds:

General Fund — The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

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

Permanent Improvement Fund — The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition and/or construction of major capital facilities.

Other Governmental Funds of the District account for food services, co-curricular activities, federal and state grants, and other resources.

Proprietary Funds – Proprietary funds consist of enterprise funds, which are used to report any activity for which a fee is charged to external users for goods or services, and internal service funds, which are used to allocate costs of centralized services. The District reports no proprietary funds.

Fiduciary Funds — Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. Fiduciary funds include pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District's only fiduciary fund is an agency fund which accounts for student activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Budgetary Data

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

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

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

(d) Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as expenses, and sales of investments are not recorded as revenues. During the fiscal year, the District invested in federal agency securities and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. These funds include the general fund, permanent improvement fund, food service, Liberty Christian Academy, student activities and athletics. In addition, interest earnings on debt service fund investments are recorded entirely in the general fund. Of the amount reported in the general fund, \$66,975 was assigned from other District funds.

(e) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District's restricted assets consist of unexpended grants restricted for the purchase of buses and unclaimed funds.

(f) Inventory and Prepaid Items

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. The District's inventory balances consist of materials and supplies and commodities.

Payments made to vendors for services that will benefit periods beyond fiscal year-end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. The District had no prepaid items at fiscal year-end.

At fiscal year-end, because inventory and prepaid items are not available to finance future governmental fund expenditures, the fund balance is reserved in the fund financial statements by an amount equal to the carrying value of the asset.

(g) Capital Assets and Depreciation

Capital assets are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at their estimated fair market value as of the date received.

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

Land Improvements	10 – 30
Buildings and Improvements	20 – 50
Furniture, Fixtures and Equipment	5 – 20
Vehicles	5 – 10

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. These transfers are eliminated from the statement of activities. On fund financial statements, short-term interfund loans are classified as due to/from other funds. These amounts are eliminated in the statement of net assets.

(i) Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

In the government-wide financial statements, all long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as a other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Long-term notes paid from the governmental funds are recognized as a liability in the fund financial statements since current resources are used to finance the debt.

(j) Net Assets

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. On the government-wide statement of net assets, none of the restricted net assets were a result of enabling legislation.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Fund Balance Reserves and Designations

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, unclaimed monies, inventories, property taxes and bus purchases.

Designations of fund balances represent tentative management plans that are subject to change. A fund balance designation has been established for budget stabilization.

(l) Extraordinary and Special Items

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

(m) Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the Statement of Net Assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. The accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

(n) Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reported period. Actual results could differ from those estimates.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

GAAP Basis	\$	2,740,008
Revenues		(372,404)
Expenditures		80,004
Advances		(200,000)
Encumbrances		(56,834)
Budgetary Basis	\$	<u>2,190,774</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk - In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the carrying amount of the District’s deposits was \$(599,097) and the bank balance was \$485,689. A liability was not recorded for the negative carrying amount of the deposits because there was no actual overdraft due to the “zero-balance” nature of the District’s bank accounts. Of the District’s bank balance, \$385,689 was exposed to custodial risk because it was uninsured and uncollateralized, while \$100,000 was covered by Federal Deposit Insurance. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments At fiscal year end, the District’s had the following investments:

Investment Type	Fair Value	Percent of Total	Investment Maturities		
			Within 1 Year	1 to 2 Years	2 to 3 Years
FHLMC Note	\$ 999,210	9.89%	\$ -	\$ 999,210	\$ -
FHLB Bond	998,130	9.88%	-	-	998,130
FHLMC DN	2,486,500	24.61%	2,486,500	-	-
FNMA DN	1,958,143	19.38%	1,958,143	-	-
Repurchase Agreement	214,489	2.12%	214,489	-	-
STAR Ohio	3,445,706	34.11%	3,445,707	-	-
Total	\$ 10,102,178	100%	\$ 8,104,839	\$ 999,210	\$ 998,130

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

Credit Risk - The Federal Home Loan Bank Notes carried a rating by Standard & Poor’s of AAA. STAR Ohio carries a rating of AAAM by Standard and Poor’s. The investments underlying the District’s repurchase agreement were rated AAA. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that addresses credit risk.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer except for commercial paper. The Treasurer may not invest an amount that exceeds 10 percent of the outstanding commercial paper of the issuing entity. The District’s investments in the each category of federal agency securities, as well as STAR Ohio, exceeded 5 percent of the District’s total investments.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of inventory. The tangible personal property tax is being phased out. The assessed percentage for all property including inventory for 2006 was 18.75 percent. This was reduced to 12.5 percent for 2007, and will be reduced to 6.25 percent for 2008 and zero for 2009. 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 District prior to June 30. This year, however, this settlement was not made until July 2007.

The District receives its property taxes from Licking and Fairfield Counties. The County Auditors periodically advance to the District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 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, 2007 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.

On the government-wide financial statements, collectible delinquent property taxes have been recorded as a receivable and revenue, while on fund financial statements the revenue has been deferred.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 – PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	<u>2006 Second Half Collections</u>		<u>2007 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 447,286,360	84.76%	\$ 467,851,540	85.83%
Commercial/Industrial and Public Utility Real	54,034,950	10.24%	55,451,060	10.17%
Public Utility Personal	16,406,790	3.11%	16,220,320	2.98%
Tangible Personal Property	9,985,535	1.89%	5,542,896	1.02%
Total	<u>\$ 527,713,635</u>	<u>100.00%</u>	<u>\$ 545,065,816</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 39.67		\$ 37.30	

NOTE 6 – INCOME TAXES

The District levies a voted continuing tax of .75 percent for general operations on the income of residents and of estates. The tax went into effect on February 15, 1990 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

NOTE 7 – DUE TO/FROM OTHER FUNDS

On an as-needed basis, the District's General Fund advances cash to other funds of the District to eliminate cash deficits. Advances are repaid to the General Fund in the following fiscal year. During the fiscal year, the District advanced \$200,000 from the General Fund to the Permanent Improvement Fund in anticipation of a \$200,000 pledge from the Athletics Boosters. This amount was outstanding at year-end.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 – CAPITAL ASSETS

A summary of capital asset activity for the fiscal year follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 751,808	\$ -	\$ -	\$ 751,808
Construction in Progress	-	27,144	-	27,144
Total Nondepreciable Assets	<u>751,808</u>	<u>27,144</u>	<u>-</u>	<u>778,952</u>
Depreciable Capital Assets				
Land Improvements	903,538	13,715	-	917,253
Buildings	31,305,774	-	-	31,305,774
Furniture and Equipment	4,101,111	243,465	(179,197)	4,165,379
Vehicles	2,332,862	321,408	(25,300)	2,628,970
Total Depreciable Assets	<u>38,643,285</u>	<u>578,588</u>	<u>(204,497)</u>	<u>39,017,376</u>
Less accumulated depreciation				
Land Improvements	(327,727)	(45,107)	-	(372,834)
Buildings	(6,844,356)	(683,882)	-	(7,528,238)
Furniture and Equipment	(2,752,235)	(222,847)	57,820	(2,917,262)
Vehicles	(1,632,770)	(189,181)	20,556	(1,801,395)
Total accumulated depreciation	<u>(11,557,088)</u>	<u>(1,141,017)</u>	<u>78,376</u>	<u>(12,619,729)</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>27,086,197</u>	<u>(562,429)</u>	<u>(126,121)</u>	<u>26,397,647</u>
Total Capital Assets, Net	<u>\$ 27,838,005</u>	<u>\$ (535,285)</u>	<u>\$ (126,121)</u>	<u>\$ 27,176,599</u>

Depreciation expense was charged to the governmental functions as follows:

Instruction Regular	\$ 23,805
Instructional staff	11,052
School Administration	52,488
Fiscal Services	14,583
Operations and Maintenance	17,867
Pupil Transportation	205,146
Central	4,285
Community Services	23,526
Extracurricular activities	87,793
Unallocated	700,472
Total depreciation expense	<u>\$ 1,141,017</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 – LONG TERM OBLIGATIONS

A summary of changes in long-term obligations for the fiscal year ended June 30, 2007 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>1999 School Improvement Bonds</u>					
4.00-5.75% maturing 12/1/2016	\$ 3,770,000	\$ -	\$ (90,000)	\$ 3,680,000	\$ 135,000
<u>Energy Conservation Notes</u>					
<u>Series 2003A</u>					
Current Interest Bonds (1.2-4.1%) maturing 12/1/2018	1,390,000	-	(90,000)	1,300,000	100,000
Capital Appreciation Bonds	86,987	5,023	-	92,010	-
<u>Refunding Bonds Series 2003B</u>					
Current Interest Bonds (1.2-4.4%) maturing 12/1/2022	4,665,000	-	(255,000)	4,410,000	275,000
Capital Appreciation Bonds	715,022	102,677	-	817,699	-
<u>2005 Refunding Bonds</u>					
Current Interest Bonds (1.2-4.4%) maturing 12/1/2022	8,735,000	-	(730,000)	8,005,000	710,000
Capital Appreciation Bonds	2,395,995	165,347	-	2,561,342	-
Bonds and Notes Payable	21,758,004	273,047	(1,165,000)	20,866,051	1,220,000
<u>Energy Conservation Notes</u>					
<u>Series 2003A</u>					
Appreciation Bonds Premium	6,971	-	(1,992)	4,979	-
<u>Refunding Bonds Series 2003B</u>					
Current Interest Bonds Premium	8,040	-	(487)	7,553	-
Appreciation Bonds Premium	473,360	-	(51,608)	421,752	-
Deferred Amount on Refunding	(439,956)	-	30,342	(409,614)	-
<u>2005 Refunding Bonds</u>					
Current Interest Bonds Premium	350,019	-	(21,213)	328,806	-
Appreciation Bonds Premium	471,912	-	(61,787)	410,125	-
Deferred Amount on Refunding	(688,802)	-	41,745	(647,057)	-
Total Bonds and Notes	21,939,548	273,047	(1,230,000)	20,982,595	1,220,000
Capital Leases	176,647	128,510	(152,156)	153,001	28,959
Retirement Incentive	14,600	25,000	(14,600)	25,000	25,000
Compensated Absences	1,769,113	717,750	(305,266)	2,181,597	209,260
Total	\$ 23,899,908	\$ 1,144,307	\$ (1,702,022)	\$ 23,342,193	\$ 1,483,219

Capital leases are being paid out of the Permanent Improvement Fund. Retirement incentives and compensated absences are paid out of the General Fund.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 – LONG TERM OBLIGATIONS (Continued)

1999 School Improvement Bonds - On March 15, 1999, the District issued School Facilities Construction and Improvement Bonds for \$19,120,000, with a varying interest rate of 3.1 to 5.15 percent, for the purpose constructing, renovating, furnishing, and equipping school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2027. On March 8, 2005 the District issued refunding bonds in the amount of \$11,164,987 to advance refund a portion of the outstanding 1999 school facilities construction bonds and take advantage of lower interest rates. As a result, \$11,165,000 of the 1999 school facilities construction and improvement bonds were considered defeased and removed from the District's liability. \$11,958,166 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded portion of the 1999 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$793,166. As of June 30, 2007, \$10,681,782 in investments with a market value of \$11,385,962 remained in the irrevocable trust to retire outstanding bonds in the amount of \$11,165,000.

Energy Conservation Notes, Series 2003A - On December 9, 2003, the District issued unvoted Energy Conservation Serial and Capital Appreciation Notes for \$1,575,000 and \$75,000, respectively, with varying interest rates of 1.2 to 4.1 percent. The purpose of the issuance was to install energy conservation improvements for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a fifteen year period with final maturity during fiscal year 2019. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations. The notes were issued at a premium of \$11,950 with associated issuance costs of \$25,466. The capital appreciation notes of \$75,000 will mature in fiscal year 2010 at \$105,000. The interest accretion on the notes as of June 30, 2007 is \$17,010.

Refunding Bonds, Series 2003B - On April 1, 1995, the District issued School Improvement Bonds for \$6,638,000, with a varying interest rate of 4.3 to 5.75 percent, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2023. On December 9, 2003, the District advance refunded the 1995 bonds issuance and issued \$5,559,988 in bonds with varying interest rate of 1.2 to 4.4 percent. Of the December 9, 2003 proceeds, \$5,090,000 was serial bonds and \$469,988 was capital appreciation bonds. The bonds were sold at a premium of \$9,258 and \$602,380, respectively, with associated issuance costs of \$82,299. On December 9, 2003, \$6,075,810 was placed into an irrevocable trust to provide for all future debt service payments on the refunded 1995 school improvement bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$515,810. On December 1, 2005 the bonds were called and the refunded 1995 school improvement bonds were paid off and the escrow account was closed. The interest accretion on the capital appreciation bonds as of June 30, 2007 is \$347,711. The debt is being repaid by tax receipts through the bond retirement fund.

2005 Refunding Bonds - On March 8, 2005 the District issued refunding bonds in the amount of \$11,164,987 to advance refund a portion of the outstanding 1999 school facilities construction bonds and take advantage of lower interest rates. The \$11,164,987 in refunding bonds consisted of serial, term, and capital appreciation bonds in the amounts of \$3,955,000, \$4,995,000, and \$2,214,987, respectively. The debt is being repaid by tax receipts through the bond retirement fund. The refunding bonds were sold at a premium in the amount of \$967,645 and bond issuance costs were \$174,466. The capital appreciation bonds of \$2,214,987 will mature at \$4,055,000 ranging from the fiscal years of 2012 to 2018. Interest accretion on the capital appreciation bonds as of June 30, 2007 is \$346,355.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 – LONG TERM OBLIGATIONS (Continued)

Debt service requirements to maturity on the bonds and notes are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	1,220,000	743,580	1,963,580
2009	1,270,000	705,276	1,975,276
2010	1,337,009	676,624	2,013,633
2011	1,405,000	618,587	2,023,587
2012	1,224,955	586,383	1,811,338
2013 - 2017	6,127,812	2,598,579	8,726,391
2018 - 2022	7,691,275	1,676,174	9,367,449
2023 - 2027	590,000	12,946	602,946
Total	<u>\$ 20,866,051</u>	<u>\$ 7,618,149</u>	<u>\$ 28,484,200</u>

The Ohio Revised Code provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At June 30, 2007, the District's total net debt was approximately 3.69% (4.04% at June 30, 2006) of the total assessed value of all property within the District. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Licking County, Fairfield County, City of Pataskala, Village of Kirkersville, Etna Township, Liberty Township, Harrison Township, Union Township, St. Albans Township, Basil Joint Fire District and West Licking Joint Fire District. The debt limitation calculations exclude \$711,077 in accretion of deep discount debt in accordance with State Law. As of June 30, 2007, these entities have complied with the requirements that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

NOTE 10 – CAPITAL LEASE OBLIGATIONS

The District has entered into several lease agreements as lessee for financing the acquisition of copiers. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The assets acquired through these capital leases had a book value of \$147,470 (\$167,772 cost less \$20,302 accumulated depreciation) at June 30, 2007. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 28,959	\$ 10,811	\$ 39,770
2009	31,943	8,602	40,545
2010	34,485	6,058	40,543
2011	27,657	3,610	31,267
2012	29,957	1,314	31,271
Total	<u>\$ 153,001</u>	<u>\$ 30,395</u>	<u>\$ 183,396</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 – SHORT TERM OBLIGATIONS

A summary of changes in short-term obligations for the fiscal year ended June 30, 2007 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax Anticipation Note	\$ -	\$ 600,000	\$ -	\$ 600,000

On June 21, 2007, the District issued Tax Anticipation Notes in anticipation of the collection of the proceeds of a two and eight tenths (2.80) mill permanent improvement levy approved by the electors of the District at the election held November 2, 2004. The notes mature in \$200,000 increments on December 1, 2007 (4.50% interest), December 1, 2008 (4.50% interest) and December 1, 2009 (4.75% interest). Interest will be paid semiannually on June 1 and December 1 of each year, beginning December 1, 2007.

NOTE 12 – RETIREMENT INCENTIVES

Certified Employees

The District offers a \$10,000 retirement incentive to certified employees that retire as soon as the employee is eligible with 25 or 30 years of experience or with 5 years of experience and 60 years of age or older. A \$7,500 retirement incentive is given to certified employees that pass up the first year of eligibility but elect to retire in the subsequent year.

Bargaining Unit Employees

A bargaining unit employee with a 260-day schedule with 25 years of service and is 55 years of age or older shall receive a \$6,650 retirement incentive is he/she retires during or at the conclusion of a school year in which he/she first attains this retirement eligibility. If the bargaining unit employee with a 260-day schedule chooses to continue working for the Board after his/her 25th year of service, the employee is eligible for a \$5,000 retirement incentive. If the bargaining unit employee continues to work beyond the 26th year, and continues to work for the Board until he/she has 30 years of service, the bargaining unit employee shall receive a \$6,650 retirement incentive is he/she retires during or at the conclusion of a school year in which he/she first attains this retirement eligibility. If the bargaining unit employee schedule chooses to continue working for the Board after his/her 30th year of service, the employee is eligible for a \$5,000 retirement incentive. If the bargaining unit employee with a 260-day schedule continues to work beyond the 31st year, he/she is no longer eligible for this retirement incentive.

A bargaining unit employee with a 184-day schedule with 25 years of service and is 55 years of age or older shall receive a \$4,600 retirement incentive is he/she retires during or at the conclusion of a school year in which he/she first attains this retirement eligibility. If the bargaining unit employee chooses to continue working for the Board after his/her 25th year of service, the employee is eligible for a \$3,450 retirement incentive. If the bargaining unit employee continues to work beyond the 26th year, and continues to work for the Board until he/she has 30 years of service, the bargaining unit employee shall receive a \$4,600 retirement incentive is he/she retires during or at the conclusion of a school year in which he/she first attains this retirement eligibility. If the bargaining unit employee schedule chooses to continue working for the Board after his/her 30th year of service, the employee is eligible for a \$3,450 retirement incentive. If the bargaining unit employee continues to work beyond the 31st year, he/she is no longer eligible for this retirement incentive.

Retirement incentives shall be paid with the first pay in January following the year of actual retirement.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 13 – INSURANCE PURCHASING POOL

In fiscal year 2007, the District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool established under Section 4123.29 of the Ohio Revised Code. 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 Executive Director of OASBO, or his designee, serves as coordinator of the program. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. In fiscal year 2007, the District made payments of \$1,300 to OASBO.

NOTE 14 – DEFINED BENEFIT PENSION PLAN

(a) School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$601,032, \$563,760, and \$552,708 respectively. 50 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The District's unpaid contribution, including the surcharge, totaling \$380,140, has been recorded as a liability in the appropriate funds.

(b) State Teachers Retirement System

Plan Description - The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system. STRS is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS issues a stand-alone financial report that may be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 – DEFINED BENEFIT PENSION PLAN (Continued)

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year 2006 (the latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$2,042,184, \$1,883,064, and \$1,755,552 respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

(c) Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security. At fiscal year-end, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 15 – OTHER POSTEMPLOYMENT BENEFITS

(a) *School Employees Retirement System*

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006 (the most recent information available), the healthcare allocation was 3.32%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

As of June 30, 2006, the number of participants eligible to receive benefits was 59,492. The portion of the District's fiscal year 2007 contributions that were used to fund postemployment benefits, including the surcharge, was \$211,481.

(b) *State Teachers Retirement System*

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

Under Ohio law, medical costs paid from the funds of the plan are included in the employer contribution rate, currently 14 percent of covered payroll. Of the 14% employer contribution rate, 1% of covered payroll was allocated to postemployment health care. For the District, this amount equaled \$145,812 for fiscal year 2007.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the District purchased insurance coverage from Ohio School Plan. Their insurance agent was Hylant Administrative Services, LLC. The types and amounts of coverage provided by Ohio School Plan are as follows:

Property Coverage

Building and Business Personal Property - Replacement Cost	\$58,702,517
Flood and Earthquake (\$25,000 deductible)	\$1,000,000
Equipment Breakdown	\$250,000

Inland Marine Coverage (\$1,000 deductible)

Audio-Visual and Miscellaneous Equipment and Musical Instruments	\$100,000
Electronic Equipment	\$1,500,000
Electronic Media	\$150,000

Crime Coverage

Employee Theft, Forgery or Alteration, and Computer Fraud (\$1,000 deductible)	\$50,000
Theft of Money and Securities (\$1,000 deductible)	\$25,000

Auto Coverage (per accident or “loss”)

Liability	\$4,000,000
Medical Payments	\$5,000
Uninsured Motorists	\$1,000,000
Comprehensive and Collision (\$250 and \$500 deductible, respectively)	Cost of repair

General Liability Coverage

Bodily Injury and Property Damage Limit (each offense)	\$3,000,000
Personal and Advertising Injury Limit (each offense)	\$3,000,000
General Aggregate Limit	\$3,000,000
Products-Completed Operations Aggregate Limit	\$3,000,000

Employee Benefits Liability Coverage – Claims Made

Each Offense Limit	\$3,000,000
Aggregate Limit	\$3,000,000

Employer’s Liability – Stop Gap Coverage

Bodily Injury By Accident – Each Accident	\$1,000,000
Bodily Injury By Disease	\$1,000,000
Bodily Injury By Disease – Each Employee	41,000,000

Legal Liability Coverage

Errors and Omission Injury Limit	\$3,000,000
Errors and Omissions Injury Aggregate Limit	\$3,000,000

Violence Coverage

Plan Aggregate Limit	\$500,000
Aggregate, Violent Act, and Death Benefit Aggregate Limit	\$250,000

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The District is a participant in the Licking Area Computer Association (LACA). LACA is an association which services fourteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The District's total payments to LACA for fiscal year 2007 were \$153,139. Financial statements for LACA can be obtained from their fiscal agent, the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

B. Metropolitan Educational Council

The 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 District's total payments to MEC for fiscal year 2007 were \$2,390. 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.

C. 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 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 District and the District does not maintain an equity interest in or financial responsibility for COSERRC. The District made no payments to COSERRC during fiscal year 2007.

D. School Study Council of Ohio

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. Participating school districts have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. Participating school districts may elect to be associate members, which entitles them to attend meetings and participate in Council discussions but not to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2007, the Board consisted of sixteen members. In fiscal year 2007, the District made payments of \$180 to the Council.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 18 – RELATED ORGANIZATION

Pataskala Public Library

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

NOTE 19 – RELATED PARTY TRANSACTIONS

The District appoints three of the five Board members of its discretely presented component unit, the Southwest Licking Digital Academy (SLDA). Per the District's contract with SLDA, SLDA pays the District, from funding provided by the Ohio Department of Education pursuant to Ohio Rev. Code Section 3314.08, \$150 per student per fiscal year. In addition, the District provided special education and related services required by an IEP, as well as administrative and fiscal services, to SLDA. For services provided in fiscal year 2007, the District received \$104,723 from SLDA. No amounts were outstanding at year-end.

NOTE 20 – SET ASIDES

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

The following cash basis information describes the change in the fiscal year-end set-aside amounts for the Textbooks and Capital Acquisition Reserves:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance		
as of June 30, 2006	\$ (552,269)	\$ (19,667,482)
Current fiscal year set-aside requirement	532,564	532,564
Qualifying Disbursements	<u>(453,099)</u>	<u>-</u>
Total	<u>\$ (472,804)</u>	<u>\$ (19,134,918)</u>
Set-aside balance at June 30, 2007	<u>\$ (472,804)</u>	<u>\$ (19,134,918)</u>

The District issued \$19,120,000 in bonds in fiscal year 1999 to provide for renovations of Pataskala Elementary, Kirkersville Elementary, the middle and high schools. In addition, the District issued \$1,650,000 in HB 264 Energy Conservation Notes in fiscal year 2004 that was used to make energy saving capital improvements throughout the District. These amounts are an allowable offset to future years for the capital improvements and maintenance set-aside. The negative amount is therefore presented as being carried forward to the next fiscal year. In addition, though no longer required, the District has opted, by resolution, to establish a budget stabilization reserve in the amount of \$1,100,000.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 21 – COMPLIANCE AND ACCOUNTABILITY

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

<u>Fund Name</u>	<u>Amount</u>
Food Service	\$ (16,138)
SchoolNet Professional Development	(1,355)
Poverty Aid	(4,069)
Title VI-B	(100,470)
Title I	(36,566)
Title II-A	(11,138)

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

NOTE 22 – COMPONENT UNIT DISCLOSURES

(a) Description of the School

The Southwest Licking Digital Academy (SLDA) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. SLDA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect SLDA's tax exempt status. SLDA's mission is to enhance and facilitate student learning by providing state of the art digital curriculum and instruction; innovative, collaborative leadership; and technical expertise and support that will prepare students to become lifelong learners and intelligent decision makers. The students may include, but will not be limited to, home schooled children, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students within the Southwest Licking Local School District (the Sponsor), the sponsor school district, that desire a specific course not currently offered that is available through online instruction.

SLDA was formally created on January 9, 2003, by entering a five year contract with the Sponsor. SLDA was approved by the Sponsor through a preliminary agreement on June 20, 2003. The Sponsor is responsible for evaluating the performance of SLDA and has the authority to deny renewal of the contract at its expiration. The Sponsor's Treasurer also completes the role of Treasurer for SLDA. SLDA paid purchased services to Tri-Rivers Educational Computer Association (TRECA) for providing the planning, design, and implementation, instructional, administrative and technical services during the fiscal year.

SLDA operates under the direction of a five-member Board of Directors made up of three-members from the Sponsor's Board and two-members from the public, both of which are appointed by the Sponsor. The first public member shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of SLDA. The second public member shall be a person who represents the interests of parents and students served by SLDA.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

SLDA is a discretely presented component unit of the Sponsor. The sponsor appoints a majority of the Board of Directors and is able to impose its will on SLDA. The Sponsor can suspend SLDA's operations for any of the following reasons: 1) SLDA's failure to meet student performance requirements stated in its contract with the Sponsor, 2) SLDA's failure to meet generally accepted standards of fiscal management, 3) SLDA's violation of any provisions of the contract with the Sponsor or applicable state or federal law, or 4) Other good cause.

The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of SLDA and the children it serves. SLDA used the facilities of the Sponsor.

(b) Summary of Significant Accounting Policies

Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. These statements are prepared on the accrual basis of accounting as further described in Note 2 C.

The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. 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. Revenue resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided by the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement as part of preparing a five year forecast, which is updated on an annual basis.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

Cash and Cash Equivalents

During the fiscal year, investments were limited to a repurchase agreement. For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year which services are consumed. At fiscal year-end, prepaid items are not available to finance future net asset expenses. The Academy had no prepaid items for the year ended June 30, 2007.

Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. The Academy had no inventory for the year ended June 30, 2007.

Capital Assets

All capital assets are capitalized at cost and updated for any additions and retirements during the fiscal year. The Academy mentions a capitalization threshold of five thousand dollars. The Academy does not currently have any assets that meet the threshold.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. The Academy had no employees during the fiscal year.

Accrued Liabilities and Long-Term Obligations

All accrued liabilities and long-term debt is reported on the statement of net assets. The Academy had Accounts Payable for the year ended June 30, 2007. However, the Academy had no long-term debt for the year ended June 30, 2007.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

Estimates

The preparation of 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.

(c) Deposits and Investments

Deposits

At year-end the carrying amount of the Academy's deposits was \$3,764 and the bank balance of \$5,000. The entire balance was covered by federal depository insurance.

Investments

At fiscal year-end the Academy's only investment was a repurchase agreement in the amount of \$14,578, all of which may be withdrawn on demand.

(d) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the District purchased insurance coverage from Ohio School Plan. Their insurance agent was Hylant Administrative Services, LLC. The types and amounts of coverage provided by Ohio School Plan are as follows:

Employee Benefits Liability - \$1,000,000 in excess of \$3,000,000
Errors and Omissions Injury - \$1,000,000 in excess of \$3,000,000
Employment Practices Injury - \$1,000,000 in excess of \$3,000,000

(e) Contract with the Tri-Rivers Educational Computer Association

The Academy entered into a one year contact with the Tri-Rivers Educational Computer Association (TRECA) on July 6, 2006 for the period July 1, 2006 through June 30, 2007. Under the contract, the following terms were agreed upon:

- TRECA shall provide the Academy with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- The Academy shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the Academy.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

- The Academy shall pay to TRECA \$3,650 per full-time student enrolled in the Academy during the 2006-2007 academic year or pro rated per portion thereof; part-time students may be enrolled on such terms as are agreed to by the parties.

During the year ended June 30, 2007, the Academy paid TRECA \$134,012 for these services.

To obtain TRECA's audited June 30, 2007 financial statements, contact Scott Armstrong, Treasurer, at scott@treca.org or call 740-389-4798.

(f) Fiscal Agent and Payment to Sponsor

The Community School Sponsorship Contract between the Academy and the Southwest Licking Local School District requires the Academy to pay the following amounts:

- The Academy was required to pay to the Sponsor \$25,000 for planning, design, and initial implementation services acquired by the Sponsor on behalf of the Academy from TRECA. This fee was paid during fiscal year 2004.
- The Academy is required to make annual payments to the Sponsor of \$150 per student per year.
- The Academy may also pay the Sponsor other amounts as are mutually agreed for any services provided to the Academy by the Sponsor.

During the year ended June 30, 2007, the Academy paid the Sponsor \$104,723 for the services defined above.

(g) Contingencies

Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability for the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al. Case # 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division, in October, 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending, and the effect of the suit, if any, on the Academy cannot presently be determined.

Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which foundation funding is calculated. The fiscal year 2006 review found the Academy was overpaid \$18,624. The Academy's fiscal year 2007 foundation receipts were reduced by this amount. The fiscal 2007 review found the Academy was correctly funded.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 22 – COMPONENT UNIT DISCLOSURES (Continued)

(h) Prior Period Restatement

For 2007, the Academy began to report in accordance with accounting principles generally accepted in the United States of America. The implementation of this change had the following effects on net assets of the enterprise fund of the Academy as they were previously reported.

Net Assets June 30, 2006	\$	20,243
Accounts Payable		(84)
Intergovernmental Payable		(18,624)
Net Assets, Restated	\$	<u>1,535</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 23 – CONTINGENCIES

(a) Grants

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

(b) Columbia Gas Transmission Corporation Lawsuit

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$4,562 per year. A portion of the refund may be recovered from additional State entitlement payments.

NOTE 24 – CONTRACTUAL COMMITMENTS

At fiscal year-end, the District had an outstanding contractual commitment with Trucco, Inc. in the amount of \$824,435.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 25 – PRIOR PERIOD RESTATEMENT

For 2007, the District began reporting in accordance with accounting principles generally accepted in the United States of America. The implementation of this change had the following effects on fund balance of the District's funds as they were previously reported. The effects on net assets of governmental activities are also presented.

	General Fund	Debt Service	Permanent Improvement	Other Governmental	Total
Fund Balances, June 30,2006	\$ 3,147,307	\$ 1,710,271	\$ 533,839	\$ 479,256	\$ 5,870,673
Cash Accruals	4,933	-	-	3,251	8,184
Property Tax Receivable	12,864,322	2,664,918	811,254	-	16,340,494
Income Tax Receivable	1,482,983	-	-	-	1,482,983
Accounts Receivable	74,413	-	-	7,117	81,530
Intergovernmental Receivable	32,998	-	-	189,088	222,086
Accrued Interest Receivable	13,595	-	-	-	13,595
Prepaid Assets	91,394	-	-	-	91,394
Inventory	20,090	-	-	17,128	37,218
Accounts Payable	(151,366)	-	(1,558)	(18,364)	(171,288)
Accrued Wages	(2,207,163)	-	-	(144,475)	(2,351,638)
Intergovernmental Payable	(749,292)	-	(12,509)	(71,863)	(833,664)
Retirement Incentive Payable	(162,500)	-	-	-	(162,500)
Deferred Revenue	(12,409,581)	(2,555,923)	(776,511)	(35,127)	(15,777,142)
Fund Balances, Restated	<u>\$ 2,052,133</u>	<u>\$ 1,819,266</u>	<u>\$ 554,515</u>	<u>\$ 426,011</u>	<u>\$ 4,851,925</u>
Net Assets, June 30, 2006	\$ 5,870,673				
Cash Accruals	8,184				
Property Taxes Receivable	16,340,494				
Income Tax Receivable	1,482,983				
Accounts Receivable	81,530				
Intergovernmental Receivable	222,086				
Accrued Interest Receivable	13,595				
Prepaid Assets	91,394				
Supplies Inventory	37,218				
Capital Assets	27,838,005				
Accounts Payable	(171,288)				
Accrued Wages	(2,351,638)				
Intergovernmental Payable	(833,664)				
Accrued Interest Payable	(89,061)				
Retirement Incentive Payable	(177,100)				
Deferred Revenue	(15,227,678)				
Compensated Absences	(1,769,113)				
Capital Leases Payable	(176,647)				
Bonds and Notes Payable	(21,695,347)				
Net Assets, Restated	<u>\$ 9,494,626</u>				

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**COMBINING STATEMENTS – NONMAJOR
GOVERNMENTAL FUNDS**

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

COMING STATEMENTS – NONMAJOR GOVERNMENTAL FUNDS

Non-major Governmental Funds

Non-major Governmental Funds account for revenues from specific sources, which legally, or otherwise, are restricted to expenditures for specific purposes. A description of the District Non-major Governmental Funds follows:

Food Service - A fund used to account for the financial activity related to the District's food service operation.

Public School Support - A fund used to account for specific local revenue sources, other than taxes or expendable trusts (i.e., profits from vending machines) that are restricted to expenditures for specified purposes approved by the board resolution. Such expenditures may include curricular and extra-curricular related purchases.

Underground Storage Tank - Underground Storage Tank money

District Managed Student Activities - A fund used to account for those student activity programs, which have student participation in the activity, but do not have student management programs of the programs. This fund includes the athletic programs.

Auxiliary Services - A fund used to account for monies, which provide services and materials to pupils attending non-public schools within the District.

Management Information Systems - A fund used to account for research and demonstration projects and other projects as established by the State of Ohio, Department of Education.

SchoolNet Capital Projects - A fund provided to account for wiring to all classrooms in the State and to provide a computer workstation and related technology for every classroom in Ohio's low-wealth school districts

Data Communications - A fund used to account for monies received in order for the District to obtain access to the Ohio Educational Computer Network.

SchoolNet Professional Development - A fund used to account for a limited number of professional development subsidy grants.

Ohio Reads - A fund used to account for monies intended to 1) improve reading outcomes, especially on the fourth grade reading proficiency test, and 2) for volunteer coordinators in public school buildings, for educational service centers for costs associated with volunteer coordination and for operating expenses associated with administering the program.

Poverty Based Assistance - A fund used to account for monies provided by the State of Ohio, Department of Education, for disadvantaged pupil impact aid.

Other State Grants - A fund used to account for state grants not classified elsewhere.

Title IV-B IDEA - A fund used to account for federal funds used in the identification of handicapped children, development of procedural safeguards, implementation of least-restrictive alternative service patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

Title I Disadvantaged Children - A fund used to account for federal funds used to meet the special needs of educationally deprived children.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

COMINING STATEMENTS – NONMAJOR GOVERNMENTAL FUNDS

Title V Innovative Education - A fund used to account for federal funds used for innovative programs as part of the Elementary and Secondary Education Act (ESEA) reauthorization.

Drug Free Schools - A fund used to account for federal funds used to establish, operate, and improve local programs of drug abuse prevention, early intervention, rehabilitation referral, and education in the District.

Improving Teacher Quality - A fund used to account for grants for improving teacher quality.

Other Federal Grants - A fund used to account for federal grants not classified elsewhere.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Food Service	Public School Support	Underground Storage Tank	District Managed Activities	Auxiliary Services
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	24,422	153,429	11,000	176,664	24,055
Cash in a Segregated Account	-	-	-	363	-
Receivables:					
Intergovernmental	44,733	-	-	-	-
Inventory Held for Resale	20,323	-	-	-	-
Total Assets	<u>89,478</u>	<u>153,429</u>	<u>11,000</u>	<u>177,027</u>	<u>24,055</u>
<u>Liabilities:</u>					
Accounts Payable	654	276	-	6,582	4,459
Accrued Wages and Benefits	55,421	-	-	-	-
Intergovernmental Payable	47,525	-	-	-	-
Deferred Revenue	-	-	-	-	-
Compensated Absences Payable	2,016	-	-	-	-
Total Liabilities	<u>105,616</u>	<u>276</u>	<u>-</u>	<u>6,582</u>	<u>4,459</u>
<u>Fund Balances:</u>					
Reserved for:					
Encumbrances	2,038	333	-	9,075	11,697
Supplies Inventory	20,323	-	-	-	-
Unreserved/Undesignated, Reported in:					
Special Revenue Funds	(38,499)	152,820	11,000	161,370	7,899
Capital Project Funds	-	-	-	-	-
Total Fund Balances	<u>(16,138)</u>	<u>153,153</u>	<u>11,000</u>	<u>170,445</u>	<u>19,596</u>
Total Liabilities and Fund Balances	<u>89,478</u>	<u>153,429</u>	<u>11,000</u>	<u>177,027</u>	<u>24,055</u>

Management Information Sytems	SchoolNet Capital Projects	Data Communications	SchoolNet Professional Development	Ohio Reads	Poverty Based Assistance
-	24,120	4,913	70	4,255	2,939
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>24,120</u>	<u>4,913</u>	<u>70</u>	<u>4,255</u>	<u>2,939</u>
-	-	-	1,425	-	-
-	-	-	-	-	5,610
-	-	-	-	-	1,398
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,425</u>	<u>-</u>	<u>7,008</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	4,913	(1,355)	4,255	(4,069)
-	24,120	-	-	-	-
<u>-</u>	<u>24,120</u>	<u>4,913</u>	<u>(1,355)</u>	<u>4,255</u>	<u>(4,069)</u>
<u>-</u>	<u>24,120</u>	<u>4,913</u>	<u>70</u>	<u>4,255</u>	<u>2,939</u>

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007
(CONTINUED)

	Other State Grants	Title IV-B IDEA	Title I Disadvantaged Children	Title V Innovative Education	Drug Free Schools
Assets:					
Equity in Pooled Cash and Cash Equivalents	-	(13,100)	(2,390)	(2,797)	2,671
Cash in a Segregated Account	-	-	-	-	-
Receivables:					
Intergovernmental	-	197,616	55,647	2,943	-
Inventory Held for Resale	-	-	-	-	-
Total Assets	-	184,516	53,257	146	2,671
Liabilities:					
Accounts Payable	-	9,995	-	-	-
Accrued Wages and Benefits	-	67,677	31,798	-	-
Intergovernmental Payable	-	22,861	4,784	-	-
Deferred Revenue	-	184,453	53,241	147	-
Compensated Absences Payable	-	-	-	-	-
Total Liabilities	-	284,986	89,823	147	-
Fund Balances:					
Reserved for:					
Encumbrances	-	2,852	-	-	570
Supplies Inventory	-	-	-	-	-
Unreserved/Undesignated, Reported in:					
Special Revenue Funds	-	(103,322)	(36,566)	(1)	2,101
Capital Project Funds	-	-	-	-	-
Total Fund Balances	-	(100,470)	(36,566)	(1)	2,671
Total Liabilities and Fund Balances	-	184,516	53,257	146	2,671

Improving Teacher Quality	Other Federal Grants	Total Other Governmental Funds
2,397	(2,194)	410,454
-	-	363
38,751	2,362	342,052
-	-	20,323
<u>41,148</u>	<u>168</u>	<u>773,192</u>
-	-	23,391
11,383	-	171,889
2,152	-	78,720
38,751	-	276,592
-	-	2,016
<u>52,286</u>	<u>-</u>	<u>552,608</u>
21,904	-	48,469
-	-	20,323
(33,042)	168	127,672
-	-	24,120
<u>(11,138)</u>	<u>168</u>	<u>220,584</u>
<u>41,148</u>	<u>168</u>	<u>773,192</u>

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Food Service	Public School Support	Underground Storage Tank	District Managed Activities	Auxiliary Services
<u>Revenues:</u>					
Intergovernmental	430,144	-	-	-	106,678
Charges for Services	843,177	-	-	-	-
Interest	4,023	9,556	-	11,881	3,400
Extracurricular Activities	-	97,150	-	324,457	-
Other	495	71,411	-	53,526	-
Total Revenues	<u>1,277,839</u>	<u>178,117</u>	<u>-</u>	<u>389,864</u>	<u>110,078</u>
<u>Expenditures:</u>					
Instruction:					
Regular	-	-	-	-	-
Special	-	-	-	-	-
Other	-	-	-	-	-
Support services:					
Pupils	-	-	-	-	-
Instructional Staff	-	-	-	-	-
Administration	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-
Pupil Transportation	-	536	-	-	-
Central	-	-	-	-	-
Non-instructional Services	1,314,687	-	-	-	134,535
Extracurricular Activities	-	161,655	-	384,725	-
Total Expenditures	<u>1,314,687</u>	<u>162,191</u>	<u>-</u>	<u>384,725</u>	<u>134,535</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,848)	15,926	-	5,139	(24,457)
<u>Other financing sources (uses):</u>					
Other Financing Uses	-	-	-	-	-
Proceeds from Sale of Assets	1,037	-	-	-	-
Total other financing sources (uses)	<u>1,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(35,811)	15,926	-	5,139	(24,457)
Fund Balance Beginning of Year, Restated	19,673	137,227	11,000	165,306	44,053
Fund Balance End of Year	<u>(16,138)</u>	<u>153,153</u>	<u>11,000</u>	<u>170,445</u>	<u>19,596</u>

<u>Management Information Systems</u>	<u>SchoolNet Capital Projects</u>	<u>Data Communications</u>	<u>SchoolNet Professional Development</u>	<u>Ohio Reads</u>	<u>Poverty Based Assistance</u>
12,158	23,616	18,000	3,300	8,000	34,045
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,158</u>	<u>23,616</u>	<u>18,000</u>	<u>3,300</u>	<u>8,000</u>	<u>34,045</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	37,715
-	-	-	-	-	-
-	-	-	3,230	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,909	-	18,000	-	5,630	-
-	-	-	1,425	-	-
-	-	-	-	-	-
<u>11,909</u>	<u>-</u>	<u>18,000</u>	<u>4,655</u>	<u>5,630</u>	<u>37,715</u>
249	23,616	-	(1,355)	2,370	(3,670)
-	-	-	(3,777)	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,777)</u>	<u>-</u>	<u>-</u>
249	23,616	-	(5,132)	2,370	(3,670)
(249)	504	4,913	3,777	1,885	(399)
<u>-</u>	<u>24,120</u>	<u>4,913</u>	<u>(1,355)</u>	<u>4,255</u>	<u>(4,069)</u>

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007
(CONTINUED)

	Other State Grants	Title IV-B IDEA	Title I Disadvantaged Children	Title V Innovative Education	Drug Free Schools
Revenues:					
Intergovernmental	9,348	570,333	148,168	13,407	12,643
Charges for Services	-	-	-	-	-
Interest	-	-	-	-	-
Extracurricular Activities	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	9,348	570,333	148,168	13,407	12,643
Expenditures:					
Instruction:					
Regular	-	-	-	-	833
Special	9,348	324,312	187,737	-	-
Other	-	122,936	-	20	-
Support services:					
Pupils	-	67,981	-	8,517	11,804
Instructional Staff	-	132,694	-	4,835	-
Administration	-	47,403	-	-	-
Operation and Maintenance of Plant	-	3,135	-	-	-
Pupil Transportation	-	-	-	-	-
Central	-	-	-	-	-
Non-instructional Services	-	-	-	-	-
Extracurricular Activities	-	-	-	-	-
Total Expenditures	9,348	698,461	187,737	13,372	12,637
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(128,128)	(39,569)	35	6
Other financing sources (uses):					
Other Financing Uses	-	-	-	-	-
Proceeds from Sale of Assets	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(128,128)	(39,569)	35	6
Fund Balance Beginning of Year, Restated	-	27,658	3,003	(36)	2,665
Fund Balance End of Year	-	(100,470)	(36,566)	(1)	2,671

Improving Teacher Quality	Other Federal Grants	Total Other Governmental Funds
92,280	2,568	1,484,688
-	-	843,177
-	-	28,860
-	-	421,607
-	-	125,432
<u>92,280</u>	<u>2,568</u>	<u>2,903,764</u>
89,982	-	90,815
-	-	521,397
-	-	160,671
17,973	-	106,275
249	2,645	143,653
-	-	47,403
-	-	3,135
-	-	536
-	-	35,539
-	-	1,450,647
-	-	546,380
<u>108,204</u>	<u>2,645</u>	<u>3,106,451</u>
(15,924)	(77)	(202,687)
	-	(3,777)
	-	1,037
<u>-</u>	<u>-</u>	<u>(2,740)</u>
(15,924)	(77)	(205,427)
<u>4,786</u>	<u>245</u>	<u>426,011</u>
<u>(11,138)</u>	<u>168</u>	<u>220,584</u>

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**INDIVIDUAL FUND SCHEDULES OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) – GOVERNMENTAL
FUNDS**

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SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GOVERNMENTAL FUNDS

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Permanent Improvement Fund			
Total Revenues and Other Sources	\$ 1,758,500	\$ 1,763,433	\$ 4,933
Total Expenditures and Other Uses	2,270,908	1,894,227	376,681
Net Change in Fund Balance	(512,408)	(130,794)	381,614
Fund Balance - July 1	301,821	301,821	-
Prior Year Encumbrances Appropriated	210,587	210,587	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 381,614</u>	<u>\$ 381,614</u>
Debt Service Fund			
Total Revenues and Other Sources	\$ 2,535,986	\$ 2,535,986	\$ -
Total Expenditures and Other Uses	2,063,941	1,977,976	85,965
Net Change in Fund Balance	472,045	558,010	85,965
Fund Balance - July 1	1,731,702	1,731,702	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ 2,203,747</u>	<u>\$ 2,289,712</u>	<u>\$ 85,965</u>
Food Service Fund			
Total Revenues and Other Sources	\$ 1,145,000	\$ 1,156,815	\$ 11,815
Total Expenditures and Other Uses	\$ 1,223,527	\$ 1,213,611	9,916
Net Change in Fund Balance	(78,527)	(56,796)	21,731
Fund Balance - July 1	78,527	78,527	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 21,731</u>	<u>\$ 21,731</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GOVERNMENTAL FUNDS

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Public School Support			
Total Revenues and Other Sources	\$ 174,000	\$ 178,515	\$ 4,515
Total Expenditures and Other Uses	316,624	168,318	148,306
Net Change in Fund Balance	(142,624)	10,197	152,821
Fund Balance - July 1	142,342	142,342	-
Prior Year Encumbrances Appropriated	282	282	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 152,821</u>	<u>\$ 152,821</u>
Underground Storage Tank			
Total Revenues and Other Sources	\$ -	\$ -	\$ -
Total Expenditures and Other Uses	11,000	-	11,000
Net Change in Fund Balance	(11,000)	-	11,000
Fund Balance - July 1	11,000	11,000	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>
District Managed Student Activities			
Total Revenues and Other Sources	\$ 384,002	\$ 396,511	\$ 12,509
Total Expenditures and Other Uses	543,348	394,851	148,497
Net Change in Fund Balance	(159,346)	1,660	161,006
Fund Balance - July 1	153,166	153,166	-
Prior Year Encumbrances Appropriated	6,180	6,180	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 161,006</u>	<u>\$ 161,006</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GOVERNMENTAL FUNDS

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Auxiliary Services			
Total Revenues and Other Sources	\$ 110,000	\$ 110,078	\$ 78
Total Expenditures and Other Uses	159,084	151,263	7,821
Net Change in Fund Balance	(49,084)	(41,185)	7,899
Fund Balance - July 1	41,011	41,011	-
Prior Year Encumbrances Appropriated	8,073	8,073	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 7,899</u>	<u>\$ 7,899</u>

Management Information Systems

Total Revenues and Other Sources	\$ 12,158	\$ 12,158	\$ -
Total Expenditures and Other Uses	12,158	12,158	-
Net Change in Fund Balance	-	-	-
Fund Balance - July 1	-	-	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SchoolNet Capital Projects

Total Revenues and Other Sources	\$ -	\$ 23,616	\$ 23,616
Total Expenditures and Other Uses	504	-	504
Net Change in Fund Balance	(504)	23,616	24,120
Fund Balance - July 1	504	504	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 24,120</u>	<u>\$ 24,120</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GOVERNMENTAL FUNDS

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Data Communications			
Total Revenues and Other Sources	\$ 18,000	\$ 18,000	\$ -
Total Expenditures and Other Uses	22,913	18,000	4,913
Net Change in Fund Balance	(4,913)	-	4,913
Fund Balance - July 1	4,913	4,913	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 4,913</u>	<u>\$ 4,913</u>

SchoolNet Professional Development

Total Revenues and Other Sources	\$ 3,300	\$ 3,300	\$ -
Total Expenditures and Other Uses	7,077	7,007	70
Net Change in Fund Balance	(3,777)	(3,707)	70
Fund Balance - July 1	3,777	3,777	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 70</u>

Ohio Reads

Total Revenues and Other Sources	\$ 8,000	\$ 8,000	\$ -
Total Expenditures and Other Uses	10,222	5,967	4,255
Net Change in Fund Balance	(2,222)	2,033	4,255
Fund Balance - July 1	2,222	2,222	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 4,255</u>	<u>\$ 4,255</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GOVERNMENTAL FUNDS

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Poverty Based Assistance			
Total Revenues and Other Sources	\$ 34,045	\$ 34,045	\$ -
Total Expenditures and Other Uses	39,289	36,350	2,939
Net Change in Fund Balance	(5,244)	(2,305)	2,939
Fund Balance - July 1	5,244	5,244	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 2,939</u>	<u>\$ 2,939</u>

Other State Grants

Total Revenues and Other Sources	\$ 9,348	\$ 9,348	\$ -
Total Expenditures and Other Uses	9,348	9,348	-
Net Change in Fund Balance	-	-	-
Fund Balance - July 1	-	-	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Title VI-B IDEA

Total Revenues and Other Sources	\$ 643,563	\$ 643,563	\$ -
Total Expenditures and Other Uses	653,574	679,522	(25,948)
Net Change in Fund Balance	(10,011)	(35,959)	(25,948)
Fund Balance - July 1	-	-	-
Prior Year Encumbrances Appropriated	10,011	10,011	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ (25,948)</u>	<u>\$ (25,948)</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GOVERNMENTAL FUNDS

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Title I Disadvantaged Children			
Total Revenues and Other Sources	\$ 165,814	\$ 165,814	\$ -
Total Expenditures and Other Uses	169,956	172,347	(2,391)
Net Change in Fund Balance	(4,142)	(6,533)	(2,391)
Fund Balance - July 1	4,143	4,143	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ 1</u>	<u>\$ (2,390)</u>	<u>\$ (2,391)</u>

Title V Innovative Education Program

Total Revenues and Other Sources	\$ 10,611	\$ 10,611	\$ -
Total Expenditures and Other Uses	10,611	13,408	(2,797)
Net Change in Fund Balance	-	(2,797)	(2,797)
Fund Balance - July 1	-	-	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ (2,797)</u>	<u>\$ (2,797)</u>

Drug Free Schools

Total Revenues and Other Sources	\$ 12,643	\$ 12,643	\$ -
Total Expenditures and Other Uses	15,923	13,822	2,101
Net Change in Fund Balance	(3,280)	(1,179)	2,101
Fund Balance - July 1	1,805	1,805	-
Prior Year Encumbrances Appropriated	1,475	1,475	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ 2,101</u>	<u>\$ 2,101</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

INDIVIDUAL FUND SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – GOVERNMENTAL FUNDS

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Improving Teacher Quality			
Total Revenues and Other Sources	\$ 106,501	\$ 106,501	\$ -
Total Expenditures and Other Uses	109,643	129,150	(19,507)
Net Change in Fund Balance	(3,142)	(22,649)	(19,507)
Fund Balance - July 1	3,142	3,142	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ (19,507)</u>	<u>\$ (19,507)</u>
Miscellaneous Federal Grants			
Total Revenues and Other Sources	\$ 2,568	\$ 206	\$ (2,362)
Total Expenditures and Other Uses	2,813	2,645	168
Net Change in Fund Balance	(245)	(2,439)	(2,194)
Fund Balance - July 1	245	245	-
Prior Year Encumbrances Appropriated	-	-	-
Fund Balance - June 30	<u>\$ -</u>	<u>\$ (2,194)</u>	<u>\$ (2,194)</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Pooled Cash and Cash Equivalents	\$ 17,522	\$ 68,286	\$ (63,043)	\$ 22,765
Total Assets	<u>\$ 17,522</u>	<u>\$ 68,286</u>	<u>\$ (63,043)</u>	<u>\$ 22,765</u>
Liabilities				
Due To Students	\$ 17,522	\$ 68,286	\$ (63,043)	\$ 22,765
Total Liabilities	<u>\$ 17,522</u>	<u>\$ 68,286</u>	<u>\$ (63,043)</u>	<u>\$ 22,765</u>

III. STATISTICAL SECTION

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Statistical Section

This part of Southwest Licking Local School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial position has changed over time.

Revenue Capacity

These schedules contain information to help the reader understand and assess the factors affecting the District's ability to generate its most significant local revenue source(s), the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the financial statements for the relevant year. The District implemented GASB Statement 34 for the year ended June 30, 2002; schedules presenting government-wide information include information beginning in that fiscal year.

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Southwest Licking Local School District
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
Governmental Activities:						
Invested in Capital Assets, Net of Related Debt	6,716,510	-	-	-	5,211,973	5,230,344
Restricted	3,578,788	2,521,798	1,824,373	1,867,410	1,591,907	2,687,273
Unrestricted (Deficit)	2,381,324	3,348,875	1,596,692	426,505	(1,073,728)	(596,043)
Total Governmental Activities Net Assets	12,676,622	5,870,673	3,421,065	2,293,915	5,730,152	7,321,574

(1) Fiscal years 2004 through 2006 were reported on the modified-cash basis of accounting.

Southwest Licking Local School District
Changes in Net Assets of Governmental Activities
Last Six Fiscal Years
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
Expenses						
Instruction:						
Regular	\$ 12,348,161	\$ 13,098,543	\$ 11,300,024	\$ 11,793,236	\$ 12,162,506	\$ 10,745,078
Special	3,035,039	2,856,531	2,618,627	2,523,762	1,992,254	1,826,443
Vocational	424,648	418,754	478,905	658,846	573,439	480,067
Other	1,942,903	-	1,058,444	925,031	-	-
Support Services:						
Pupils	2,027,921	1,656,434	1,612,627	1,454,212	1,502,725	1,357,240
Instructional Staff	1,335,768	1,097,778	900,219	950,621	1,107,678	1,127,652
Board of Education	41,323	32,864	30,972	20,369	58,203	40,317
Administration	2,774,874	2,447,073	2,125,400	2,295,587	2,737,674	1,987,526
Fiscal Services	810,437	735,835	628,544	699,523	929,737	805,942
Business Operations	150,234	79,359	84,437	86,162	107,080	168,326
Operation and Maintenance of Plant	2,368,839	2,296,484	2,244,959	2,339,758	2,791,566	2,459,163
Pupil Transportation	2,284,131	1,864,282	1,497,404	1,924,313	1,850,107	1,648,514
Central	636,673	372,008	662,922	407,673	592,746	660,250
Noninstructional	1,472,586	1,278,593	1,228,604	1,010,928	1,021,721	920,940
Extracurricular Activities	1,335,938	968,524	797,972	1,007,101	1,165,060	1,064,151
Capital Outlay	-	686,931	481,824	1,517,082	-	-
Principal Retirement	-	1,190,000	947,929	606,320	-	-
Interest and Fiscal Charges	1,010,625	813,398	847,094	1,120,659	1,231,443	1,264,823
Unallocated Depreciation	700,472	-	-	-	-	-
Miscellaneous	16,804	2,000	-	-	-	-
Total Expenses	\$ 34,717,376	\$ 31,895,391	\$ 29,546,907	\$ 31,341,183	\$ 29,823,939	\$ 26,556,432
Program Revenues						
Charges for Services						
Regular Instruction	\$ 296,756	\$ 371,473	\$ 356,267	\$ 317,328	\$ 161,491	\$ 163,123
Noninstructional	843,672	773,276	730,075	679,485	667,977	647,827
Extracurricular Activities	691,306	673,551	625,419	335,904	553,092	520,101
Other	396,112	275,076	102,575	201,810	181,240	126,007
Operating Grants and Contributions	1,894,856	2,717,262	2,381,360	3,090,760	2,662,473	2,183,752
Capital Grants and Contributions	-	55,526	27,899	1,718,776	53,595	104,028
Total Program Revenues	\$ 4,122,702	\$ 4,866,164	\$ 4,223,595	\$ 6,344,063	\$ 4,279,868	\$ 3,744,838
Net Expense	\$ (30,594,674)	\$ (27,029,227)	\$ (25,323,312)	\$ (24,997,120)	\$ (25,544,071)	\$ (22,811,594)
General Revenues						
Property Taxes Levied for:						
General Purposes	\$ 12,511,033	\$ 10,414,698	\$ 8,102,649	\$ 7,876,034	\$ 7,443,473	\$ 6,189,233
Debt Service	2,328,307	\$ 772,450	\$ 796,625	\$ 1,798,256	\$ 1,714,907	\$ 1,758,553
Capital Projects	828,369	2,433,243	1,989,607	678,104	704,430	621,673
Income Taxes	4,202,777	3,567,522	3,262,415	3,014,457	2,995,538	2,770,958
Grants and Entitlements not						
Restricted to Specific Programs	11,601,687	11,945,157	11,973,539	11,130,041	10,976,953	10,100,950
Payment in Lieu of Taxes	1,736,371	-	-	-	-	-
Investment Earnings	502,977	224,002	98,828	63,443	92,801	180,269
Miscellaneous	65,149	104,076	243,232	54,777	39,161	11,480
Total General Revenues	\$ 33,776,670	\$ 29,461,148	\$ 26,466,895	\$ 24,615,112	\$ 23,967,263	\$ 21,633,116
Change in Net Assets	\$ 3,181,996	\$ 2,431,921	\$ 1,143,583	\$ (382,008)	\$ (1,576,808)	\$ (1,178,478)

(1) Fiscal years 2004 through 2006 were reported on the modified-cash basis of accounting.

Southwest Licking Local School District
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 601,708	\$ 113,558	\$ 92,547	\$ 114,743	\$ 836,353	\$ 455,952	\$ 808,571	\$ 864,853	\$ 648,138	\$ 732,827
Unreserved	4,190,433	3,033,749	1,013,031	311,762	(307,281)	1,617,682	2,015,378	631,432	295,692	286,400
<i>Total General Fund</i>	<u>4,792,141</u>	<u>3,147,307</u>	<u>1,105,578</u>	<u>426,505</u>	<u>529,072</u>	<u>2,073,634</u>	<u>2,823,949</u>	<u>1,496,285</u>	<u>943,830</u>	<u>1,019,227</u>
All Other Governmental Funds										
Reserved	1,104,825	236,607	357,592	598,158	538,285	882,895	1,149,282	7,470,495	5,531,174	1,291,341
Unreserved, Undesignated, Reported in:										
Special Revenue Funds	127,672	452,732	642,866	590,985	687,558	671,874	698,552	551,389	544,049	399,017
Debt Service Fund	2,302,691	1,710,271	1,037,111	521,381	219,160	546,628	733,884	927,673	883,181	(3,883)
Capital Projects Funds	(394,266)	323,756	277,918	156,886	41,256	587,840	2,709,000	4,316,321	14,828,442	902,171
Total All Other Governmental Funds	<u>3,140,922</u>	<u>2,723,366</u>	<u>2,315,487</u>	<u>1,867,410</u>	<u>1,486,259</u>	<u>2,689,237</u>	<u>5,290,718</u>	<u>13,265,878</u>	<u>21,786,846</u>	<u>2,588,646</u>
<i>Total Governmental Funds</i>	<u>\$ 7,933,063</u>	<u>\$ 5,870,673</u>	<u>\$ 3,421,065</u>	<u>\$ 2,293,915</u>	<u>\$ 2,015,331</u>	<u>\$ 4,762,871</u>	<u>\$ 8,114,667</u>	<u>\$ 14,762,163</u>	<u>\$ 22,730,676</u>	<u>\$ 3,607,873</u>

(1) Fiscal years 2004 through 2006 were reported on the modified-cash basis of accounting.

(2) With the implementation of GASB 34 in fiscal year 2002, the District reclassified all enterprise and trust funds as special revenue funds. In fiscal years 1998 through 2001, these funds will be presented as special revenue funds for comparative purposes.

Southwest Licking Local School District
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2006	2005	2004
Revenues				
Property Taxes	\$ 15,705,450	\$ 13,620,391	\$ 10,888,881	\$ 10,352,396
Income Taxes	4,202,777	3,567,522	3,262,415	3,014,457
Intergovernmental	15,023,229	14,710,404	14,382,798	14,128,699
Charges for Services	843,177	773,276	906,567	784,710
Interest	502,977	231,543	98,828	63,444
Tuition and Fees	692,868	612,091	302,910	387,402
Extracurricular	566,369	627,817	581,674	335,904
Other	184,652	181,444	238,162	236,495
Total Revenues	37,721,499	34,324,488	30,662,235	29,303,507
Expenditures				
Instruction:				
Regular	12,246,395	13,098,543	11,300,024	11,793,236
Special	3,013,676	2,856,531	2,618,627	2,523,762
Vocational	423,947	418,754	478,905	658,846
Other	1,873,512	-	1,058,444	925,031
Support Services:				
Pupils	1,943,771	1,656,434	1,612,627	1,454,212
Instructional Staff	1,309,842	1,097,778	900,219	950,621
Board of Education	41,323	32,864	30,972	20,369
Administration	2,646,758	2,447,073	2,125,400	2,295,587
Fiscal Services	799,968	735,835	628,544	699,523
Business Operations	173,689	175,298	84,437	86,162
Operation and Maintenance of Plant	2,431,394	2,331,809	2,244,959	2,339,758
Pupil Transportation	2,328,849	2,102,371	1,497,404	1,924,313
Central	632,134	542,067	662,922	407,673
Non-instructional Services	1,450,647	1,278,593	1,228,604	1,010,928
Extracurricular Activities	1,242,837	968,524	797,972	1,007,101
Capital Outlay	211,343	147,519	481,824	1,517,082
Debt Service:				
Principal Retirement	1,206,126	1,190,000	947,929	606,320
Interest and Fiscal Charges	788,510	813,398	847,094	1,120,659
Bond Issuance Costs	-	-	147,964	-
Total Expenditures	34,764,721	31,893,391	29,694,871	31,341,183
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,956,778</u>	<u>2,431,097</u>	<u>967,364</u>	<u>(2,037,676)</u>
Other Financing Sources (Uses)				
Other Financing Sources (Uses)	(9,979)	(2,000)	-	-
Proceeds from Sale of Assets	5,929	2,824	1,753	2,702
Proceeds from Sale of Bonds	-	-	-	1,650,000
Premium on Bonds	-	-	-	2,966
Proceeds from Refunding Bonds	-	-	11,164,987	-
Premium on Refunding Bonds	-	-	967,645	-
Payment to Refunded Bonds Escrow Agent	-	-	(11,958,166)	-
Inception of Capital Lease	128,510	-	-	-
Advances In	-	-	10,001	-
Advances out	-	-	(10,001)	-
Transfers In	-	11,540	-	-
Transfers Out	-	(11,540)	-	-
Total Other Financing Sources (Uses)	124,460	824	176,219	1,655,668
Net Change in Fund Balances	\$ 3,081,238	\$ 2,431,921	\$ 1,143,583	\$ (382,008)
Debt Service as a Percentage of Noncapital Expenditures	5.82%	6.28%	6.04%	5.51%

(1) Fiscal years 2004 through 2006 were reported on the modified-cash basis of accounting. Debt Service as a Percentage of Noncapital Expenditures calculation does not subtract additions due to District reporting on the modified-cash basis.

(2) With the implementation of GASB 34 in fiscal year 2002, the District reclassified all enterprise and trust funds as special revenue funds. In fiscal years 1998 through 2001, these funds will be presented as special revenue funds for comparative purposes.

	2003	2002	2001	2000	1999	1998
\$	9,722,667	\$ 8,573,552	\$ 8,696,787	\$ 8,217,535	\$ 6,767,436	\$ 6,073,880
	2,920,312	2,840,069	2,779,705	2,449,197	2,306,445	2,070,071
	13,592,622	12,320,054	11,361,795	9,865,985	9,700,691	8,617,587
	659,361	634,521	632,368	567,921	569,194	571,308
	138,577	258,128	963,843	1,257,557	837,137	244,202
	283,695	342,738	290,749	172,094	176,045	112,417
	535,216	447,858	503,605	276,324	313,483	278,367
	130,773	91,803	200,217	209,350	105,303	135,829
	<u>27,983,223</u>	<u>25,508,723</u>	<u>25,429,069</u>	<u>23,015,963</u>	<u>20,775,734</u>	<u>18,103,661</u>
	11,629,278	10,206,896	9,306,416	8,369,565	8,149,957	7,620,503
	1,894,373	1,783,385	1,466,896	1,187,354	1,076,021	903,199
	549,822	451,749	475,658	423,676	341,461	355,455
	-	-	-	338,352	328,571	247,937
	1,452,848	1,291,826	1,050,150	953,346	647,591	561,786
	1,043,493	1,004,603	798,958	622,752	531,444	479,151
	58,203	41,650	23,981	20,493	12,187	21,918
	2,691,159	1,901,354	1,661,434	1,674,095	1,720,558	1,337,169
	921,397	772,074	592,988	419,335	698,954	547,970
	112,093	35,724	145,032	51,460	270,482	223,173
	2,700,280	2,140,673	1,804,064	1,668,549	1,500,594	1,511,978
	1,683,752	1,469,727	1,377,108	1,259,948	1,308,910	1,203,878
	516,956	439,303	325,375	125,147	80,660	64,498
	962,598	852,438	754,914	780,388	691,409	770,229
	1,265,389	1,006,305	995,939	757,793	698,999	630,363
	1,052,583	3,256,458	9,715,604	10,390,641	1,232,630	404,740
	1,119,468	1,055,873	954,781	789,522	506,294	906,311
	1,234,336	1,267,957	1,291,094	1,337,108	951,160	475,206
	-	-	-	-	-	-
	<u>30,888,028</u>	<u>28,977,995</u>	<u>32,740,392</u>	<u>31,169,524</u>	<u>20,747,882</u>	<u>18,265,464</u>
	<u>(2,904,805)</u>	<u>(3,469,272)</u>	<u>(7,311,323)</u>	<u>(8,153,561)</u>	<u>27,852</u>	<u>(161,803)</u>
	-	-	6,276	-	5,150	72,398
	1,481	2,164	13,554	6,427	(22,069)	35,584
	-	-	-	-	19,120,000	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	155,787	124,753	526,590	91,960	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	122,401	-	55,920	-
	-	-	(122,401)	-	(64,070)	(20,903)
	<u>157,268</u>	<u>126,917</u>	<u>546,420</u>	<u>98,387</u>	<u>19,094,931</u>	<u>87,079</u>
\$	<u>(2,747,537)</u>	<u>(3,342,355)</u>	<u>(6,764,903)</u>	<u>(8,055,174)</u>	<u>19,122,783</u>	<u>(74,724)</u>
	7.80%	8.82%	9.24%	10.31%	7.58%	7.87%

Southwest Licking Local School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Collection Years

Tax Year/ Collection Year	Real Property			Tangible Personal Property				Total		Ratio	Tax Rate
	Assessed Value		Estimated Actual Value	Public Utility		General Business		Assessed Value	Estimated Actual Value		
	Residential/ Agricultural	Commercial/ Industrial/PU		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value				
2006/2007	467,851,540	55,451,060	1,495,150,286	16,220,320	\$64,881,280	5,542,896	64,881,280	545,065,816	1,624,912,846	33.54%	\$ 38.32
2005/2006	447,286,360	54,034,950	1,432,346,600	16,406,790	\$65,627,160	9,985,535	65,627,160	527,713,635	1,563,600,920	33.75%	\$ 39.67
2004/2005	397,194,290	41,107,470	1,252,290,743	16,647,680	\$66,590,720	8,553,786	66,590,720	463,503,226	1,385,472,183	33.45%	\$ 32.62
2003/2004	371,894,030	35,894,710	1,165,110,686	17,492,840	\$69,971,360	9,506,430	69,971,360	434,788,010	1,305,053,406	33.32%	\$ 31.70
2002/2003	351,373,650	37,825,530	1,111,997,657	16,089,480	\$64,357,920	8,181,690	64,357,920	413,470,350	1,240,713,497	33.33%	\$ 31.90
2001/2002	289,635,890	30,258,550	913,984,114	15,870,700	\$63,482,800	8,216,000	63,482,800	343,981,140	1,040,949,714	33.04%	\$ 43.15
2000/2001	270,572,680	25,994,330	847,334,314	21,944,270	\$87,777,080	7,090,370	87,777,080	325,601,650	1,022,888,474	31.83%	\$ 43.15
1999/2000	253,227,140	24,594,440	793,775,943	20,038,240	\$80,152,960	7,589,850	80,152,960	305,449,670	954,081,863	32.02%	\$ 43.15
1998/1999	212,711,980	19,371,730	663,096,314	21,348,180	\$85,392,720	6,210,450	85,392,720	259,642,340	833,881,754	31.14%	\$ 45.16
1997/1998	195,137,900	18,083,030	609,202,657	19,820,710	\$79,282,840	7,156,300	79,282,840	240,197,940	767,768,337	31.29%	\$ 40.38

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax is being phased out beginning in 2006. The listing percentage is 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amount generated by multiplying the assessed values by the applicable rates would be reduced by the 10 percent, 2 1/2 percent and homestead exemptions before being billed. Beginning in the 2006 collection year, the 10 percent rollback for commercial/industrial property has been eliminated.

Source: Office of the County Auditor, Licking County, Ohio

Southwest Licking Local School District
Property Tax Rates
(per \$1,000 of assessed value)
Last Ten Years

Tax Year/ Collection Year	Direct Rates					Overlapping Rates													
						Fairfield County			Licking County									West Licking Joint Fire District	Licking County JVSD
	Voted		Perm. Improve.	Unvoted	Total	Fairfield County	Liberty Township	Basil Joint Fire District	Licking County	City of Pataskala	Etna Township	Harrison Township	Kirkersville Village	St. Albans Township	Union Township				
General	Bond																		
2006/2007	25.78	3.82	2.80	4.90	37.30	7.55	2.30	9.27	7.40	7.90	2.30	5.90	5.00	13.92	5.10	11.50	3.00		
2005/2006	26.80	5.17	2.80	4.90	39.67	7.55	2.30	9.27	7.40	10.40	2.30	5.90	5.00	14.20	5.90	11.50	3.00		
2004/2005	19.80	5.12	2.80	4.90	32.62	7.55	2.30	5.27	7.20	10.40	2.30	5.90	5.00	11.50	5.90	10.50	3.00		
2003/2004	19.80	4.20	2.80	4.90	31.70	7.05	2.30	5.27	7.20	10.40	2.30	5.90	5.00	11.60	6.20	10.50	2.80		
2002/2003	19.80	4.40	2.80	4.90	31.90	7.05	2.30	5.27	7.20	10.40	2.30	5.90	5.00	11.60	6.20	10.50	3.00		
2001/2002	29.50	5.95	2.80	4.90	43.15	7.05	2.30	5.27	7.20	10.40	2.30	5.90	5.00	11.60	6.20	10.50	2.00		
2000/2001	29.50	5.95	2.80	4.90	43.15	7.05	2.30	5.27	7.20	10.40	2.30	5.90	5.00	10.70	6.20	10.50	2.00		
1999/2000	29.50	5.95	2.80	4.90	43.15	7.05	2.30	5.27	7.20	10.40	3.06	5.90	5.00	10.70	6.20	10.50	2.00		
1998/1999	29.50	7.96	2.80	4.90	45.16	7.05	2.30	5.27	7.20	8.40	3.07	5.90	5.00	10.70	6.20	10.50	2.00		
1997/1998	29.50	3.18	2.80	4.90	40.38	7.05	2.30	5.27	7.20	8.40	3.08	5.90	5.00	10.70	4.70	8.50	2.00		

Source: Office of the County Auditor, Licking County, Ohio

The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year

Rates may only be raised by obtaining the approval of a majority of the voters at a public election.

Southwest Licking Local School District
Property Tax Levies and Collections (1)
Last Ten Collection Years

<u>Collection Year (2)</u>	<u>Current Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Tax Collections to Current Tax Levy</u>	<u>Delinquent Tax Collections (3)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Current Tax Levy</u>
2006	16,517,495	15,990,592	96.81%	394,216	16,384,808	99.20%
2005	11,916,588	11,613,202	97.45%	285,728	11,898,930	99.85%
2004	10,871,951	10,601,341	97.51%	408,614	11,009,955	101.27%
2003	10,501,975	10,167,792	96.82%	374,300	10,542,092	100.38%
2002	9,438,650	9,106,779	96.48%	289,661	9,396,440	99.55%
2001	9,128,940	8,839,025	96.82%	272,386	9,111,411	99.81%
2000	8,498,949	8,282,790	97.46%	324,593	8,607,383	101.28%
1999	8,028,644	7,758,560	96.64%	177,561	7,936,121	98.85%
1998	6,262,024	6,084,100	97.16%	174,610	6,258,710	99.95%
1997	5,901,857	5,755,192	97.51%	175,898	5,931,090	100.50%

(1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental revenue.

(2) The 2007 information cannot be presented because all collections have not been made by June 30, 2007.

(3) The County does not identify delinquent tax collections by tax year.

Source: Office of the County Auditor, Licking County, Ohio

Southwest Licking Local School District

Principal Taxpayers

Real Estate Tax

Tax Years 2006 and 2004 (1)

Name of Taxpayer	2006	
	Assessed Value	Percent of Real Property Assessed Value
Catalina Club LLC	\$ 2,587,550	0.49%
Pataskala Green	2,452,430	0.47%
James A Nelson, et al	1,678,080	0.32%
Licking Memorial Health Systems	1,520,050	0.29%
Tosoh SMD ETNA LLC	1,280,930	0.24%
Kroger Company	1,199,980	0.23%
Harvey A. Tolson	1,067,890	0.20%
CFJ Properties	930,410	0.18%
Warner Farms Development	874,800	0.17%
Margaret J. Harvey, Tr	838,670	0.16%
Totals	<u>14,430,790</u>	<u>2.76%</u>
All Others	508,871,810	97.24%
Total Real Estate Property Assessed Valuation	<u>\$ 523,302,600</u>	<u>100%</u>
Name of Taxpayer	2004	
	Assessed Value	Percent of Real Property Assessed Value
Cumberland Highland LLC	\$ 3,233,240	0.74%
Catalina Club LLC	3,103,140	0.71%
DSM Holdings LLC/Dominion Homes	2,115,090	0.48%
Maronda Homes Inc. of Ohio	1,777,290	0.41%
Licking Memorial Health Systems	1,157,770	0.26%
Coughlin Land Co Ltd/Coughlin Automotive Prop. LLC	1,118,500	0.26%
Harry A. Tolson	1,067,500	0.24%
Columbia Road Ltd	1,061,870	0.24%
Kroger Company	969,150	0.22%
Too Brands Inc.	915,740	0.21%
Totals	<u>16,519,290</u>	<u>3.77%</u>
All Others	421,782,470	96.23%
Total Real Estate Property Assessed Valuation	<u>\$ 438,301,760</u>	<u>100%</u>

(1) The amounts presented represent the assessed values upon which 2007 and 2005 collections were based.

Source: Office of the County Auditor, Licking County, Ohio

Southwest Licking Local School District

Principal Taxpayers

Tangible Personal Property Tax

Tax Years 2006 and 2004 (1)

Name of Taxpayer	2006	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
Contract Lumber Inc.	\$ 1,049,200	18.93%
International Truck & Engine Corp.	733,380	13.23%
Too Brands Inc.	606,260	10.94%
Kroger Company	482,220	8.70%
Best Lighting Products, Inc.	281,610	5.08%
SR Door Inc.	274,560	4.95%
Arrow Truck Sales Inc.	265,840	4.80%
Big West Oil Co. (Flying J Service Plaza)	215,010	3.88%
Carter Jones Lumber Co.	209,380	3.78%
Time Warner Cable Inc.	201,820	3.64%
Total	<u>4,319,280</u>	<u>77.92%</u>
All Others	1,223,616	22.08%
Total General Business Property Assessed Valuation	<u>\$ 5,542,896</u>	<u>100%</u>

Name of Taxpayer	2004	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
Contract Lumber Inc.	\$ 1,034,140	12.09%
Too Brands Inc.	1,026,080	12.00%
Kroger Company	605,560	7.08%
Acuity Lighting Group Inc.	431,780	5.05%
Time Warner Cable Inc.	382,050	4.47%
Suburgan Steel Supply Co.	362,030	4.23%
Big West Oil Co. (Flying J Service Plaza)	308,030	3.60%
Insight Communication of Central Ohio	294,580	3.44%
SR Door Inc.	293,180	3.43%
International Truck & Engine Corp.	291,390	3.41%
Total	<u>5,028,820</u>	<u>58.79%</u>
All Others	3,524,966	41.21%
Total General Business Property Assessed Valuation	<u>\$ 8,553,786</u>	<u>100%</u>

(1) The amounts presented represent the assessed values upon which 2007 and 2005 collections were based.

Source: Office of the County Auditor, Licking County, Ohio

Southwest Licking Local School District

Principal Taxpayers

Public Utilities Tax

Tax Years 2006 and 2004 (1)

Name of Taxpayer	2006	
	Assessed Value	Percent of Public Utility Property Assessed Value
Columbus Southern Power Co.	\$ 6,348,600	39.14%
Ohio Power	2,784,120	17.16%
United Telephone	1,984,240	12.23%
Licking Rural Electric	914,870	5.64%
National Gas & Oil	377,390	2.33%
Total	<u>12,409,220</u>	<u>76.50%</u>
All Others	3,811,100	23.50%
Total Public Utilities Personal Property Assessed Valuation	<u>\$ 16,220,320</u>	<u>100%</u>

Name of Taxpayer	2004	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
Columbus Southern Power Co.	\$ 4,684,730	28.14%
Ohio Power	4,480,580	26.91%
United Telephone	2,848,490	17.11%
Columbia Gas/Columbia Gas Transmission	861,640	5.18%
Licking Rural Electric	809,770	4.86%
National Gas & Oil	689,260	4.14%
Ohio Bell Telephone	118,770	0.71%
Total	<u>14,493,240</u>	<u>87.06%</u>
All Others	2,154,440	12.94%
Total Public Utilities Property Assessed Valuation	<u>\$ 16,647,680</u>	<u>100%</u>

(1) The amounts presented represent the assessed values upon which 2007 and 2005 collections were based.

Source: Office of the County Auditor, Licking County, Ohio

Southwest Licking Local School District
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Tax Anticipation Notes</u>	<u>Total Debt</u>	<u>Total Debt per Capita</u>	<u>Total Debt per Enrollment</u>
2007	\$ 20,866,051	\$ 153,001	\$ 600,000	\$ 21,619,052	\$313	\$5,671
2006	21,758,004	176,647	-	21,934,651	\$318	\$6,240
2005	22,509,975	212,787	-	22,722,762	\$343	\$6,272
2004	23,384,988	284,138	-	23,669,126	\$357	\$6,765
2003	22,290,000	451,286	-	22,741,286	\$343	\$6,803
2002	23,290,000	414,967	-	23,704,967	\$358	\$7,129
2001	24,280,000	526,396	-	24,806,396	\$374	\$7,938
2000	25,180,000	155,186	-	25,335,186	\$383	\$8,028
1999	25,925,000	83,578	-	26,008,578	\$393	\$8,739
1998	7,230,000	164,872	-	7,394,872	\$112	\$2,478

Southwest Licking Local School District
Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	Total General Bonded Debt	Ratio of General Bonded Debt to Estimated Actual Value	General Bonded Debt per Capita	General Bonded Debt per Enrollment
2007	\$ 20,866,051	1.29%	\$303	\$5,474
2006	21,758,004	1.34%	\$315	\$6,190
2005	22,509,975	1.44%	\$340	\$6,213
2004	23,384,988	1.69%	\$353	\$6,683
2003	22,290,000	1.71%	\$336	\$6,668
2002	23,290,000	1.88%	\$352	\$7,005
2001	24,280,000	2.33%	\$367	\$7,770
2000	25,180,000	2.46%	\$381	\$7,978
1999	25,925,000	2.72%	\$392	\$8,711
1998	7,230,000	0.87%	\$109	\$2,423

Southwest Licking Local School District
*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
June 30, 2007*

	Total General Bonded Debt	Percentage Applicable to District (1)	Amount of Direct and Overlapping Debt
Direct Debt			
Southwest Licking Local School District	\$ 5,671	100%	\$ 5,671
Overlapping Debt:			
Payable from Property Taxes as of December 31, 2006:			
St. Albans Township General Obligation Bonds	1,400,000	2.48%	34,686
St. Albans Township General Obligation Notes	118,350	2.48%	2,932
Etna Township General Obligation Notes	44,477	48.64%	21,636
Harrison Township	-	99.02%	-
Union Township	-	2.70%	-
Liberty Township	-	19.27%	-
Basil Joint Fire District	-	19.27%	-
West Licking Joint Fire District	80,000	75.00%	60,000
Village of Kirkersville General Obligation Notes	37,818	100.00%	37,818
City of Pataskala General Obligation Notes	1,530,000	44.59%	682,251
Fairfield County General Obligation Bonds	19,375,000	0.00%	-
Fairfield County General Obligation Notes	1,114,067	0.06%	672
Licking County General Obligation Bonds	11,207,778	45.53%	5,103,152
Licking County General Obligation Notes	700,000	45.53%	318,726
Payable from Other Sources as of December 31, 2006:			
Fairfield County Capital Leases	1,065,203	1.23%	13,077
Fairfield County Special Assessment Bonds	2,623,646	0.34%	8,967
Licking County Special Assessment Bonds	484,140	45.53%	220,440
Total Overlapping Debt	39,780,479		6,504,357
Total Direct and Overlapping Debt	\$ 39,786,150		\$ 6,510,028

(1) Percentages were determined by dividing the assessed or actual valuation of the overlapping government located within the boundaries of the District by the total assessed or actual valuation of the overlapping government. The valuations used were for tax year 2006.

Sources: Licking County, Fairfield County, City of Pataskala, St. Albans Township, Etna Township, Harrison Township, Union Township, Liberty Township, Village of Kirkersville, Basil Joint Fire District and West Licking Joint Fire District.

Southwest Licking Local School District
Computation of Legal Debt Margin
June 30, 2007

Total Assessed Valuation	\$	545,065,816
Assessed Valuation for Purpose of Legal Debt Margin (1)		547,391,950
Overall Debt Limitation		
9% of Assessed Valuation (2)		49,265,276
Total General Bonded Debt		20,866,051
Less: Accretion on Capital Appreciation Bonds		(711,076)
Less: Debt Service Funds Restricted for Principal		-
Plus: Unamortized Premium on Bonds		1,173,215
Net Debt Subject to Limitation		21,328,190
Overall Legal Debt Margin		27,937,086
Unvoted Debt Limitation		
.1% of Assessed Valuation (2)		547,392
Total Unvoted General Bonded Debt		-
Unvoted Legal Debt Margin		547,392

(1) The definition of tax valuation for the purpose of calculating the debt margin was modified by H.B. 530, effective 3/30/06, to exclude tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations.

(2) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

Source: District Financial Records

Southwest Licking Local School District

Computation of Legal Debt Margin

Last Ten Fiscal Years

Tax/ Fiscal Year	Assessed Valuation	Overall Debt Limit	Debt Subject to Limit	Legal Debt Margin	Overall Debt Margin as a Percentage of Overall Debt Limit	Unvoted Debt Margin as a Percentage of Unvoted Debt Limit
2007	\$ 547,391,950	\$ 49,265,276	\$ 21,328,190	\$ 27,937,086	43.29%	100%
2006	523,302,600	47,097,234	22,630,277	24,466,957	48.05%	100%
2005	527,713,635	47,494,227	24,091,950	23,402,277	50.73%	100%
2004	463,503,226	41,715,290	24,229,318	17,485,972	58.08%	100%
2003	434,788,010	39,130,921	22,530,000	16,600,921	57.58%	100%
2002	413,470,350	37,212,332	23,540,000	13,672,332	63.26%	100%
2001	343,981,140	30,958,303	24,540,000	6,418,303	79.27%	100%
2000	325,601,650	29,304,149	25,450,000	3,854,149	86.85%	100%
1999	305,449,670	27,490,470	26,195,000	1,295,470	95.29%	100%
1998	259,642,340	23,367,811	7,230,000	16,137,811	30.94%	100%

Source: Licking County Auditor and District Financial Records

Southwest Licking Local School District
Demographic and Economic Statistics

Last Ten Calendar Years

Calendar Year	District Population (1)	Licking County Per Capita Personal Income	Personal Income	District Enrollment
2006	68,977	\$30,509	\$ 2,104,434,390	3,812
2005	68,977	\$30,509	2,104,434,390	3,515
2004	66,242	\$29,685	1,966,395,170	3,623
2003	66,242	\$28,147	1,864,514,966	3,499
2002	66,242	\$27,755	1,838,548,296	3,343
2001	66,242	\$27,270	1,806,420,962	3,325
2000	66,242	\$26,820	1,776,612,016	3,125
1999	66,166	\$35,548	2,352,069,783	3,156
1998	66,166	\$24,868	1,645,416,410	2,976
1997	66,166	\$24,265	1,605,518,471	2,984

(1) Calculated by dividing District's assessed valuation by Licking County's assessed valuation and multiplying the product by Licking County's population.

Sources: Office of the County Auditor, Licking County, Ohio and District records.

Southwest Licking Local School District
District Employees by Function/Activity
Last Five Fiscal Years

	2003	2004	2005	2006	2007		2003	2004	2005	2006	2007
Official/Administrative						Function					
Administrative Assistant	1.00	1.00	1.00	0.00	0.00	Governmental Activities					
Assistant Superintendent	1.00	1.00	1.00	1.00	1.00	Instruction					
Assistant Principal	2.00	2.00	2.00	2.00	2.00	Regular	169.14	169.00	165.11	169.51	169.72
Principal	5.00	6.00	5.00	6.00	6.00	Special	29.00	31.00	34.00	37.73	38.68
Superintendent	1.00	1.00	1.00	1.00	1.00	Vocational	6.00	6.00	5.00	4.00	4.00
Supervising/Managing/Directing	1.00	5.00	4.00	3.02	3.00	Other Instruction	5.00	6.00	4.00	7.04	11.50
Treasurer	1.00	1.00	1.00	1.00	1.00	Support Services					
Coordinator	2.00	1.00	1.00	3.00	3.33	Pupils	18.72	20.13	20.45	20.93	19.55
Director	0.00	0.00	0.00	2.50	2.50	Instructional Staff	19.81	18.81	19.81	25.81	24.81
Other Official/Administrative	0.50	0.50	0.50	0.00	0.00	Administration	27.75	28.50	25.50	30.50	34.33
Subtotal Administrative	14.50	18.50	16.50	19.52	19.83	Fiscal Services	5.00	5.00	4.00	5.00	5.00
Professional - Educational						Operation and Maintenance of Plant	24.00	25.00	24.25	25.31	26.31
Curriculum Specialist	0.00	0.00	0.00	0.50	0.50	Pupil Transportation	37.59	36.94	36.50	33.97	39.08
Counseling	8.24	8.25	8.51	8.72	8.25	Central	3.75	3.75	2.75	3.75	4.75
Librarian	2.00	2.00	2.00	2.00	2.00	Noninstructional Services	16.16	18.58	20.43	18.24	16.36
Remedial Specialist	5.00	6.00	4.00	7.00	10.00						
Regular Teaching	154.14	155.00	150.11	154.21	154.62	Total Primary Government	361.92	368.71	361.80	381.79	394.09
Special Education Teaching	28.00	26.00	27.00	31.84	31.88						
Vocational Education Teaching	6.00	6.00	5.00	4.00	4.00						
Tutor/Small Group Instructor	0.00	5.00	7.00	7.00	6.80						
Educational Services Teacher	15.00	14.00	15.00	15.30	15.10						
Other Professional	0.00	1.00	0.00	0.04	4.00						
Subtotal Professional - Educational	218.38	223.25	218.62	230.61	237.15						
Professional - Other											
Psychologist	2.00	3.00	3.00	3.00	3.00						
Registered Nursing	1.00	1.00	1.00	1.00	1.00						
Physical Therapist	0.25	0.25	0.00	0.40	0.40						
Speech and Language Therapist	3.93	4.33	3.33	3.60	3.00						
Occupational Therapist	0.80	0.80	1.00	1.00	1.00						
Educational Interpreter	1.00	0.00	0.00	0.00	0.00						
Occupational Therapy Assistant	0.00	0.00	0.00	0.60	0.40						
Physical Therapy Assistant	0.25	0.00	0.00	0.00	0.00						
Other Professional	0.00	0.00	1.11	0.00	0.00						
Subtotal Professional - Other	9.23	9.38	9.44	9.60	8.80						
Technical											
Practical Nursing	0.50	0.50	0.50	0.50	0.50						
Computer Programming	2.00	2.00	1.00	1.00	2.00						
Library Aide	5.00	4.00	4.00	3.00	3.00						
Instructional Paraprofessional	0.00	0.00	0.00	12.81	12.81						
Subtotal Technical	7.50	6.50	5.50	17.31	18.31						
Office/Clerical											
Bookkeeping	4.00	4.00	3.00	3.00	3.00						
Clerical	18.75	17.75	16.00	14.81	14.81						
Teaching Aide	9.81	11.81	13.81	6.00	5.00						
Telephone Operator	0.00	0.00	0.00	0.50	0.50						
Other Office/Clerical	0.00	0.00	0.00	4.75	5.75						
Subtotal Office/Clerical	32.56	33.56	32.81	29.06	29.06						
Crafts and Trades											
General Maintenance	4.00	3.00	3.00	4.00	4.00						
Mechanic	2.00	2.00	2.00	2.00	2.00						
Subtotal Crafts and Trades	6.00	5.00	5.00	6.00	6.00						
Operative											
Dispatching	2.00	1.00	1.00	1.19	1.19						
Vehicle Operator (buses)	28.59	29.94	30.00	26.13	28.62						
Subtotal Operative	30.59	30.94	31.00	27.32	29.81						
Service Work/Laborer											
Custodian	20.00	21.00	21.00	21.00	22.00						
Food Service	15.16	17.58	19.43	16.72	14.86						
Guard/Watchman	1.00	0.00	0.00	0.00	0.00						
Monitoring	7.00	3.00	2.50	4.65	8.27						
Subtotal Service Work/Laborer	43.16	41.58	42.93	42.37	45.13						
Total	361.92	368.71	361.80	381.79	394.09						

Numbers are shown as Full Time Equivalent (FTE).

Source: District Records

Southwest Licking Local School District

*Operating Statistics
Last Ten Fiscal Years*

Fiscal Year	Expenses (1)	Enrollment	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio
2007	34,717,376	3,812	\$9,107	0.37%	258	14.8
2006	31,895,391	3,515	\$9,074	11.27%	239	14.7
2005	29,546,907	3,623	\$8,155	-8.95%	231	15.7
2004	31,341,183	3,499	\$8,957	0.40%	230	15.2
2003	29,823,939	3,343	\$8,921	11.70%	222	15.1
2002	26,556,432	3,325	\$7,987	-23.77%	212	15.7
2001	32,740,392	3,125	\$10,477	6.08%	204	15.3
2000	31,169,524	3,156	\$9,876	41.50%	198	15.9
1999	20,771,827	2,976	\$6,980	13.90%	202	14.7
1998	18,286,021	2,984	\$6,128			

(1) Fiscal years 1998 through 2001 are reported on the modified accrual basis of accounting and fiscal years 2004 through 2006 are reported on the modified cash basis of accounting. All other fiscal years are reported on the full accrual basis of accounting.

Source: District Records.

Southwest Licking Local School District
Building Statistics
Last Ten Fiscal Years

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Kindergarten Center										
Constructed in 1965										
Total Building Square Footage	12,709	12,709	12,709	12,709	12,709	12,709	12,709	12,709	12,709	12,709
Enrollment Grades	K	K	K	K	K	K	K	K	K	K
Student Functional Capacity (Half Day)	308	308	308	308	308	308	308	308	308	308
Student Enrollment	263	256	290	275	284	307	239	274	274	311
Etna Elementary										
Constructed in 1996										
Total Building Square Footage	55,218	55,218	55,218	55,218	55,218	55,218	55,218	55,218	55,218	55,218
Enrollment Grades	1-5	1-5	1-5	1-5	1-5	1-5	1-5	1-5	1-5	1-5
Student Functional Capacity	563	563	563	563	563	563	563	563	563	563
Student Enrollment	481	633	634	477	479	483	498	505	538	552
Kirkersville Elementary										
Constructed in 1937, additions in 1965, 1968, 2001, 2002										
Total Building Square Footage	37,784	37,784	37,784	49,782	56,787	56,787	56,787	56,787	56,787	56,787
Enrollment Grades	1-5	1-5	1-5	1-5	1-5	1-5	1-5	1-5	1-5	1-5
Student Functional Capacity	n/a	n/a	n/a	n/a	368	368	368	368	368	368
Student Enrollment	349	328	348	348	332	339	401	376	394	356
Pataskala Elementary										
Constructed in 1908, additions in 1965, 2001										
Total Building Square Footage	44,669	44,669	44,669	63,845	63,845	63,845	63,845	63,845	63,845	63,845
Enrollment Grades	1-5	1-5	1-5	1-5	1-5	1-5	1-5	1-5	1-5	1-5
Student Functional Capacity	n/a	n/a	n/a	458	458	458	458	458	458	458
Student Enrollment	346	207	219	433	448	495	470	487	479	501
Watkins Middle School										
Constructed in 1957, additions in 1964, 1969, 2001										
Total Building Square Footage	75,572	75,572	75,572	99,076	99,076	99,076	99,076	99,076	99,076	99,076
Enrollment Grades	6-8	6-8	6-8	6-8	6-8	6-8	6-8	6-8	6-8	6-8
Student Functional Capacity	n/a	n/a	n/a	904	904	904	904	904	904	904
Student Enrollment	774	757	717	735	751	807	879	839	875	881
Watkins High School										
Constructed in 1975, additions in 1981, 2001										
Total Building Square Footage	115,650	115,650	115,650	142,392	142,392	142,392	142,392	142,392	142,392	142,392
Enrollment Grades	9-12	9-12	9-12	9-12	9-12	9-12	9-12	9-12	9-12	9-12
Student Functional Capacity	n/a	n/a	n/a	1,104	1,104	1,104	1,104	1,104	1,104	1,104
Student Enrollment	904	916	946	992	1,030	1,058	1,037	1,024	1,055	1,126

n/a - not available.

Source: Ohio School Facilities Master Plan, Planning Advocates, Inc. Educational Facilities Needs - June 2002, and District Records.

Southwest Licking Local School District
Educational Operating Indicators
Last Ten School Years

	Fiscal Year 2007			Southwest Licking									
	Southwest Licking	Similar Districts	State Average	2006	2005	2004	2003	2002	2001	2000	1999	1998	
	3rd Grade Achievement Test												
Mathematics	89.1%	92.0%	84.5%	86.5%	84.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Reading	80.2%	89.2%	78.3%	84.5%	85.7%	83.7%	n/a	n/a	n/a	n/a	n/a	n/a	
4th Grade Proficiency/Achievement Test													
Citizenship	n/a	n/a	n/a	n/a	79.8%	75.1%	72.8%	71.1%	60.2%	62.1%	73.6%	71.2%	
Mathematics	84.1%	87.3%	75.9%	89.9%	75.3%	79.9%	68.4%	62.4%	61.7%	54.1%	42.0%	44.8%	
Reading	86.3%	89.5%	80.0%	82.5%	82.8%	79.2%	73.3%	68.0%	55.5%	62.1%	59.2%	45.7%	
Science	n/a	n/a	n/a	n/a	74.9%	79.6%	70.9%	62.8%	63.7%	64.5%	56.2%	57.6%	
Writing	87.2%	89.1%	82.3%	88.3%	84.6%	88.5%	89.5%	81.3%	85.0%	88.8%	74.6%	67.8%	
5th Grade Achievement Test													
Mathematics	71.3%	74.6%	61.2%	67.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Reading	87.0%	89.2%	80.0%	79.1%	84.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Science	82.0%	83.3%	68.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Social Studies	65.5%	71.4%	57.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
6th Grade Proficiency/Achievement Test													
Citizenship	n/a	n/a	n/a	n/a	87.1%	83.8%	76.7%	72.3%	66.2%	69.1%	68.1%	67.0%	
Mathematics	82.5%	86.1%	74.0%	74.7%	80.1%	83.8%	54.8%	50.4%	58.3%	44.7%	38.5%	41.9%	
Reading	81.7%	88.1%	77.7%	89.4%	81.6%	80.6%	75.9%	49.2%	49.1%	44.5%	42.0%	56.3%	
Science	n/a	n/a	n/a	n/a	80.9%	77.3%	78.1%	56.8%	50.6%	41.6%	39.4%	49.8%	
Writing	n/a	n/a	n/a	n/a	94.5%	94.2%	92.6%	84.4%	78.9%	81.3%	72.1%	92.5%	
7th Grade Achievement Test													
Mathematics	78.8%	83.6%	71.2%	63.3%	69.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Reading	83.1%	88.2%	77.5%	89.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Writing	87.4%	90.9%	81.1%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
8th Grade Achievement Test													
Mathematics	79.8%	83.4%	71.5%	73.8%	62.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Reading	87.2%	90.4%	80.2%	87.1%	81.6%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Science	76.0%	77.7%	62.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Social Studies	53.5%	63.6%	49.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
10th Grade Ohio Graduation Test													
Mathematics	84.8%	90.1%	81.2%	88.4%	88.3%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Reading	91.3%	93.8%	86.9%	95.1%	97.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Science	76.6%	84.3%	72.4%	78.0%	80.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Social Studies	84.5%	87.2%	76.4%	81.8%	87.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Writing	91.0%	94.6%	89.2%	90.9%	90.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
11th Grade Ohio Graduation Test (OGT) ¹													
Mathematics	96.4%	95.6%	88.8%	92.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Reading	96.0%	97.2%	92.8%	97.7%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Science	89.5%	93.0%	83.6%	91.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Social Studies	94.2%	95.0%	87.6%	91.9%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Writing	96.4%	97.1%	93.4%	96.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Student Attendance Rate	94.5%	95.5%	94.1%	94.4%	94.2%	94.2%	94.4%	94.1%	93.9%	94.1%	94.2%	94.4%	
Student Graduation Rate	91.9%	96.1%	86.1%	91.8%	91.5%	89.7%	90.3%	87.6%	87.6%	83.5%	89.4%	89.4%	
Student Enrollment	3,727	n/a	n/a	3,615	3,505	3,524	3,489	3,324	3,260	3,154	3,099	3,117	

¹ Results for 11th grade students who took the test as 10th and 11th graders.

ACT Scores (Average)												
Southwest Licking	20.7	n/a	n/a	20.8	22.2	21.0	22.5	21.2	21.6	21.1	22.0	-
National	21.2	n/a	n/a	21.1	20.9	20.9	20.8	20.8	21.0	21.0	21.0	21.0
SAT Scores (Average)												
Reading (Verbal)												
Southwest Licking	508	n/a	n/a	511	549	526	548	552	548	559	561	522
National	502	n/a	n/a	503	508	508	507	504	506	505	505	505
Mathematics												
Southwest Licking	513	n/a	n/a	505	538	557	558	544	568	554	561	552
National	515	n/a	n/a	518	520	518	519	516	514	514	511	512
Writing (initiated 2006)												
Southwest Licking	485	n/a	n/a	502	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
National	494	n/a	n/a	497	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

n/a - not applicable

Southwest Licking Local School District
Capital Asset Statistics
Last Seven Fiscal Years

	<u>2007</u>	<u>2006</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Nondepreciable Capital Assets					
Land	751,808	751,808	754,314	754,314	754,314
Construction in Progress	27,144	-	855,106	469,866	8,136,111
Total Nondepreciable Capital Assets	<u>778,952</u>	<u>751,808</u>	<u>1,609,420</u>	<u>1,224,180</u>	<u>8,890,425</u>
Depreciable Capital Assets					
Land Improvements	544,419	575,811	491,804	328,315	231,076
Buildings and Buildings Improvements	23,777,536	24,461,418	23,409,059	23,563,271	14,564,114
Furniture, Fixtures & Equipment	1,248,117	1,348,876	1,809,875	1,974,197	1,938,297
Vehicles	827,575	700,092	593,495	716,409	633,566
Total Depreciable Capital Assets	<u>26,397,647</u>	<u>27,086,197</u>	<u>26,304,233</u>	<u>26,582,192</u>	<u>17,367,053</u>
Total Capital Assets, Net	<u>27,176,599</u>	<u>27,838,005</u>	<u>27,913,653</u>	<u>27,806,372</u>	<u>26,257,478</u>

(1) Fiscal years 2004 and 2005 were reported on the modified-cash basis of accounting.

Note: Depreciable capital assets are presented net of accumulated depreciation.

Source: District Records



Mary Taylor, CPA
Auditor of State

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2008**