



Dave Yost • Auditor of State

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southwest Licking Local School District
Licking County
927-A South Street
Pataskala, OH 43062

To the Board of Education:

Report on the Financial Statements

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 (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District and its discretely presented component unit to prepare their annual financial reports in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine of the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2014

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SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 (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, 2013, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

- Net position of governmental activities decreased approximately \$2.2 million, or 21.2 percent, in comparison with the prior year. The fund most affected by the decrease in cash and investments was the Permanent Improvement Fund, which decreased approximately \$2 million during the fiscal year.
- The District's general receipts are primarily property taxes, income taxes, and intergovernmental aid. These receipts represent respectively 42.5%, 11.6%, and 34.4% of the total cash received for governmental activities during the year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$3.1 million, or 9.3 percent 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.

Government-wide Financial Statements. The Statement of Net Position – Cash Basis presents the cash balances and investments of the governmental activities of the District at year end.

The Statement of Activities – Cash Basis compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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.

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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Governmental Funds

The governmental fund financial statements provide a detailed view of the District’s governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District’s programs. The District’s significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District’s major governmental funds were the General Fund, Permanent Improvement Fund, and Debt Service Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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.

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.

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.

Government-wide Financial Analysis

An analysis of fiscal year 2013 in comparison with fiscal year 2012 follows for the Statement of Net Position – Cash Basis:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Cash and Investments	\$ 8,110,468	\$ 10,293,689	-21.21%
Total Assets	<u>8,110,468</u>	<u>10,293,689</u>	-21.21%
Restricted for:			
Debt Service	2,001,313	2,448,422	-18.26%
Permanent Improvements	2,023,034	4,009,743	-49.55%
Unexpended Grants	180,642	158,416	14.03%
Food Service	410,416	387,282	5.97%
Extracurricular Activities	94,572	104,337	-9.36%
Other Purposes	5,992	5,992	0.00%
Unrestricted	<u>3,394,499</u>	<u>3,179,497</u>	6.76%
Total Net Position	<u>\$ 8,110,468</u>	<u>\$ 10,293,689</u>	-21.21%

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Government-wide Financial Analysis (continued)

As mentioned previously, net position of governmental activities decreased approximately \$2.2 million, or 21.2 percent, in comparison with the prior year.

A significant portion of the District's net position (58.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3.4 million) may be used to meet the District's ongoing obligations to citizens and creditors.

An analysis of fiscal year 2013 in comparison with fiscal year 2012 follows for the Statement of Activities – Cash Basis:

	2013	2012
Program Receipts		
Charges for Services	\$ 1,838,291	\$ 1,753,191
Operating Grants	2,274,407	2,551,784
General Receipts		
Property Taxes	16,933,273	16,838,561
Income Taxes	4,605,500	4,492,166
Grants and Entitlements	13,717,307	13,320,415
Sale of Bonds/Notes	143,967	3,596,462
Payments in Lieu of Taxes	202,529	76,829
Investment Earnings	24,938	11,943
Miscellaneous	130,435	125,641
Total Receipts	39,870,647	42,766,992
Program Disbursements		
Instructional	22,369,557	21,352,933
Support Services	12,127,954	13,394,886
Non-instructional	1,517,835	1,576,316
Extra Curricular Activities	834,723	822,533
Capital Outlay	2,318,275	269,900
Principal Payments	2,162,877	1,750,000
Interest and Fiscal Charges	722,647	691,004
Bond Issuance Costs	-	90,478
Total Disbursements	42,053,868	39,948,050
Change in Net Position	(2,183,221)	2,818,942
Net Position at Beginning of Year	10,293,689	7,474,747
Net Position at End of Year	\$ 8,110,468	\$ 10,293,689

Program receipts represent only 10.3 percent of total receipts and are comprised of charges for services and sales and operating grants and contributions.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Government-wide Financial Analysis (continued)

General receipts represent 89.7 percent of the District’s total receipts, and of this amount, 60.2 percent are local taxes. State and federal grants and entitlements make up 38.4 percent of the District’s general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction and support services, which account for 53.2 and 28.8 percent of all governmental disbursements, respectively.

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The Net (Disbursement) Receipt column compares the program receipts to the cost of the service. This “net cost” amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented below for fiscal year 2013.

	<u>Fiscal Year 2013</u>		<u>Fiscal Year 2012</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program expenses				
Instructional	\$ 22,369,557	\$ 20,995,853	\$ 21,352,933	\$ 19,866,375
Support services	12,127,954	11,394,252	13,394,886	12,701,576
Non-instructional	1,517,835	(40,719)	1,576,316	(99,756)
Extra Curricular Activities	834,723	387,985	822,533	373,498
Capital Outlay	2,318,275	2,318,275	269,900	269,900
Debt Service	2,885,524	2,885,524	2,531,482	2,531,482
Total	<u>\$ 42,053,868</u>	<u>\$ 37,941,170</u>	<u>\$ 39,948,050</u>	<u>\$ 35,643,075</u>

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

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of approximately \$8.1 million, a decrease of approximately \$2.2 million in comparison with the prior fiscal year.

Of this amount, approximately \$2.9 million is available for spending at the District’s discretion. The remainder of fund balance is restricted (\$4.7 million), nonspendable (\$5,010), committed (\$11,000) or assigned (\$444,852).

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Governmental Funds (continued)

An analysis of fiscal year 2013 in comparison with fiscal year 2012 follows:

<u>Fund:</u>	<u>As of June 30, 2013</u>	<u>As of June 30, 2012</u>	<u>Change</u>
General Fund	\$ 3,532,138	\$ 3,234,067	9.22%
Permanent Improvement Fund	2,023,034	4,009,743	-49.55%
Debt Service Fund	2,001,313	2,448,422	-18.26%
Other Governmental Funds	553,983	601,457	-7.89%
Total Fund Balance	<u>\$ 8,110,468</u>	<u>\$ 10,293,689</u>	-21.21%

Total governmental funds had total receipts of \$39.7 million and total disbursements of \$42.1 million. The greatest change within governmental funds occurred within the Permanent Improvement Fund. The fund balance of the Permanent Improvement Fund decreased approximately \$2 million as a result of the District spending Tax Anticipation Note proceeds from prior years.

General Fund receipts were greater than disbursements by \$235,055 indicating that the General Fund is not in a deficit spending situation.

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.

Final estimated resources exceeded Original estimated resources by \$782,530 while final appropriations exceeded original appropriations by \$405,993. Actual revenues and other financing sources exceeded the final revenues and other financing sources estimate by \$785,891. Final appropriations exceeded actual expenditures and other financing uses by \$314,993, or less than one percent

Capital Assets

The District is not required to disclose capital assets on the cash basis of accounting but has elected to do so in the note disclosures. At the end of the fiscal year, the District had approximately \$27.9 million (net of accumulated depreciation) invested in capital assets, an increase of approximately \$1.5 million in comparison with the prior fiscal year. This increase represents the amount of current year additions of approximately \$2.6 million exceeding current year depreciation expense of approximately \$1.1 million. Detailed information regarding capital asset activity can be found in the Note 9 to the basic financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2013 (UNAUDITED)

Debt

At the end of the fiscal year, the District had total debt outstanding of approximately \$20.3 million, a decrease of approximately \$1.9 million from fiscal year 2012. For the most part, this decrease represents principal payments of approximately \$2.3 million, offset by current year additions of \$143,967 and accretion totaling \$261,961.

Detailed information regarding long-term obligations can be found in Note 10 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, 2013, the District's general obligation debt was below the legal limit.

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 District's finances and to show the 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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
AS OF JUNE 30, 2013**

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental</u>	<u>Southwest Licking</u>
	<u>Activities</u>	<u>Digital Academy</u>
Assets		
Cash and Cash Equivalents	\$ 8,104,132	\$ 34,722
Cash in a Segregated Account	1,326	-
Restricted Cash and Cash Equivalents	5,010	-
Total Assets	8,110,468	34,722
Net Position		
Restricted for:		
Debt Service	2,001,313	-
Permanent Improvements	2,023,034	-
State and Federal Grants	180,642	-
Food Services	410,416	-
Extracurricular Activities	94,572	-
Other Purposes	5,992	-
Unrestricted	3,394,499	34,722
Total Net Position	\$ 8,110,468	\$ 34,722

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
				Governmental Activities	Southwest Licking Digital Academy
Governmental Activities					
Instruction					
Regular Instruction	\$ 14,914,199	\$ 253,025	\$ 98,360	\$ (14,562,814)	\$ -
Special Instruction	5,605,662	80,575	855,774	(4,669,313)	-
Vocational Instruction	19,106	328	19,004	226	-
Other Instruction	1,830,590	30,789	35,849	(1,763,952)	-
Support Services					
Pupils	1,810,521	29,391	66,895	(1,714,235)	-
Instructional Staff	1,140,813	13,365	348,769	(778,679)	-
Board of Education	66,973	1,150	-	(65,823)	-
Administration	2,697,905	161,605	2,880	(2,533,420)	-
Fiscal Services	924,602	14,806	-	(909,796)	-
Business Operations	200,342	937	-	(199,405)	-
Operation and Maintenance of Plant	2,483,149	41,533	-	(2,441,616)	-
Pupil Transportation	2,488,296	40,209	-	(2,448,087)	-
Central	315,353	3,156	9,000	(303,197)	-
Non-instructional	1,517,835	733,173	825,381	40,719	-
Extra Curricular Activities	834,723	434,249	12,495	(387,979)	-
Capital Outlay	2,318,275	-	-	(2,318,275)	-
Principal Payments	2,162,877	-	-	(2,162,877)	-
Interest and Fiscal Charges	722,647	-	-	(722,647)	-
Total Governmental Activities	<u>\$ 42,053,868</u>	<u>\$ 1,838,291</u>	<u>\$ 2,274,407</u>	<u>(37,941,170)</u>	<u>-</u>
Component Unit	197,851	-	-	-	(197,851)
Southwest Licking Digital Academy	<u>\$ 197,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (197,851)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes				14,096,427	-
Debt Service				1,472,442	-
Capital Projects				1,364,404	-
Income Taxes				4,605,500	-
Grants & Entitlements not Restricted				13,717,307	216,835
Sale of Bonds/Notes				143,967	-
Payment in Lieu of Taxes				202,529	-
Investment Earnings				24,938	114
Miscellaneous				130,435	-
Total General Receipts				<u>35,757,949</u>	<u>216,949</u>
Change in Net Position				<u>(2,183,221)</u>	<u>19,098</u>
Net Position Beginning of Year				10,293,689	15,624
Net Position End of Year				<u>\$ 8,110,468</u>	<u>\$ 34,722</u>

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**BALANCE SHEET - CASH BASIS
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2013**

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 3,527,128	\$ 2,023,034	\$ 2,001,313	\$ 552,657	\$ 8,104,132
Cash in a Segregated Account	-	-	-	1,326	1,326
Restricted Cash and Cash Equivalents	5,010	-	-	-	5,010
Total Assets	\$ 3,532,138	\$ 2,023,034	\$ 2,001,313	\$ 553,983	\$ 8,110,468
Fund Balances:					
Nonspendable:					
Unclaimed Monies	\$ 5,010	\$ -	\$ -	\$ -	\$ 5,010
Restricted for:					
Debt Service	-	-	2,001,313	-	2,001,313
Permanent Improvements	-	2,023,034	-	-	2,023,034
State and Federal Grants	-	-	-	180,642	180,642
Food Services	-	-	-	410,416	410,416
Extracurricular Activities	-	-	-	94,572	94,572
Other Purposes	233	-	-	-	233
Committed for:					
Underground Storage	11,000	-	-	-	11,000
Assigned for:					
School Support	126,782	-	-	-	126,782
Instruction	239,466	-	-	-	239,466
Support Services	78,604	-	-	-	78,604
Unassigned	3,071,043	-	-	(131,647)	2,939,396
Total Fund Balances	3,532,138	2,023,034	2,001,313	553,983	8,110,468
Total Liabilities and Fund Balances	\$ 3,532,138	\$ 2,023,034	\$ 2,001,313	\$ 553,983	\$ 8,110,468

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property Taxes	\$ 14,096,427	\$ 1,364,404	\$ 1,472,442	\$ -	\$ 16,933,273
Income Taxes	4,605,500	-	-	-	4,605,500
Payments in Lieu of Taxes	202,529	-	-	-	202,529
Intergovernmental	13,329,996	211,462	194,853	2,242,908	15,979,219
Charges for Services	115,322	-	-	725,717	841,039
Interest	16,560	6,991	-	1,387	24,938
Tuition and Fees	555,547	-	-	-	555,547
Extracurricular Activities	182,881	-	-	196,969	379,850
Other	92,063	23,851	-	17,828	133,742
Total Receipts	33,196,825	1,606,708	1,667,295	3,184,809	39,655,637
Disbursements:					
Instruction:					
Regular	14,733,066	81,654	-	99,479	14,914,199
Special	4,691,714	-	-	913,948	5,605,662
Vocational	19,106	-	-	-	19,106
Other	1,792,787	-	-	37,803	1,830,590
Support services:					
Pupils	1,711,384	23,520	-	75,617	1,810,521
Instructional Staff	778,216	-	-	362,597	1,140,813
Board of Education	66,973	-	-	-	66,973
Administration	2,695,078	-	-	2,827	2,697,905
Fiscal Services	861,931	40,467	22,204	-	924,602
Business Operations	54,566	145,776	-	-	200,342
Operation and Maintenance of Plant	2,418,362	64,787	-	-	2,483,149
Pupil Transportation	2,341,447	146,849	-	-	2,488,296
Central	183,621	122,732	-	9,000	315,353
Non-instructional Services	1,689	-	-	1,516,146	1,517,835
Extracurricular Activities	611,830	-	-	222,893	834,723
Capital Outlay	-	2,318,275	-	-	2,318,275
Debt service:					
Principal Retirement	-	-	2,162,877	-	2,162,877
Interest and Fiscal Charges	-	-	722,647	-	722,647
Total Disbursements	32,961,770	2,944,060	2,907,728	3,240,310	42,053,868
Excess (Deficiency) of Receipts Over (Under) Disbursements	235,055	(1,337,352)	(1,240,433)	(55,501)	(2,398,231)
Other Financing Sources (Uses):					
Donations	7,926	-	-	4,569	12,495
Proceeds from Sale of Assets	5,241	-	-	41	5,282
Insurance Proceeds	49,849	-	-	3,417	53,266
Proceeds from the Sale of Bonds/Notes	-	143,967	-	-	143,967
Transfers In	-	-	793,324	-	793,324
Transfers Out	-	(793,324)	-	-	(793,324)
Total Other Financing Sources (Uses)	63,016	(649,357)	793,324	8,027	215,010
Net Change in Fund Balances	298,071	(1,986,709)	(447,109)	(47,474)	(2,183,221)
Fund Balance Beginning of Year	3,234,067	4,009,743	2,448,422	601,457	10,293,689
Fund Balance End of Year	\$ 3,532,138	\$ 2,023,034	\$ 2,001,313	\$ 553,983	\$ 8,110,468

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
Property Taxes	\$ 13,580,252	\$ 13,912,769	\$ 14,096,427	\$ 183,658
Income Taxes	4,538,098	4,649,215	4,605,500	(43,715)
Payments in Lieu of Taxes	56,334	57,713	202,529	144,816
Intergovernmental	12,618,483	12,927,451	13,329,996	402,545
Charges for Services	42,155	43,187	115,322	72,135
Earnings on Investments	8,785	9,000	16,224	7,224
Tuition & Fees	483,219	495,051	555,547	60,496
Extracurricular Activities	131,884	135,113	164,668	29,555
Miscellaneous	71,430	72,154	48,976	(23,178)
Total Receipts	31,530,640	32,301,653	33,135,189	833,536
Disbursements:				
Instruction:				
Regular	14,872,220	15,052,219	14,972,332	79,887
Special	4,751,790	4,809,731	4,691,914	117,817
Vocational	34,670	35,061	19,106	15,955
Other	1,772,982	1,794,667	1,792,787	1,880
Support Services:				
Pupils	1,709,987	1,730,532	1,712,552	17,980
Instructional Staff	802,304	811,727	800,030	11,697
Board of Education	67,110	67,931	66,973	958
Administration	2,704,197	2,737,137	2,714,750	22,387
Fiscal	853,202	863,637	861,931	1,706
Business	56,301	56,990	54,566	2,424
Operation and Maintenance of Plant	2,445,355	2,474,797	2,454,148	20,649
Pupil Transportation	2,326,135	2,354,585	2,341,291	13,294
Central	184,371	186,626	183,621	3,005
NonInstructional Services	1,000	1,000	1,689	(689)
Extracurricular Activities	523,039	529,436	523,393	6,043
Total Disbursements	33,104,663	33,506,076	33,191,083	314,993
Excess of Receipts Over (Under) Disbursements	(1,574,023)	(1,204,423)	(55,894)	1,148,529
Other Financing Sources (Uses):				
Donations	4,206	4,309	-	(4,309)
Sale of Capital Assets	16,531	16,936	5,241	(11,695)
Insurance Proceeds	47,341	48,500	49,849	1,349
Transfers -In	402,282	412,132	379,142	(32,990)
Transfers -Out	(374,562)	(379,143)	(379,142)	1
Total Other Financing Sources (Uses)	95,798	102,734	55,090	(47,644)
Net Change in Fund Balance	(1,478,225)	(1,101,689)	(804)	1,100,885
Fund Balances at Beginning of Year	2,793,331	2,793,331	2,793,331	-
Prior Year Encumbrances Appropriated	283,759	283,759	283,759	-
Fund Balances at End of Year	\$ 1,598,865	\$ 1,975,401	\$ 3,076,286	\$ 1,100,885

See accompanying notes to the basic financial statements

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
AS OF JUNE 30, 2013

	Agency <u>Fund</u>
Assets	
Cash and Cash Equivalents	<u>\$ 25,551</u>
Total Assets	<u>25,551</u>
Liabilities	
Held for Student Liabilities	<u>25,551</u>
Total Liabilities	<u><u>\$ 25,551</u></u>

See accompanying notes to the basic financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 – DESCRIPTION OF THE 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 155 non-certificated personnel and 247 certificated full-time personnel who provide services to 3,900 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 Position – Cash Basis and the Statement of Activities – Cash Basis 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 LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY (Continued)

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 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 members from the public who are appointed by the District. A majority of the members shall be elected or appointed public officials or public employees, or shall be community leaders who have demonstrated a professional interest in education or in other issues involving children. The remaining members shall be persons who are parents of students who are expected to attend 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 the 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 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, 927-A South Street, Pataskala, Ohio 43062.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District’s accounting policies.

(a) Basis of Presentation

The District’s basic financial statements consist of government-wide financial statements, including a Statement of Net Position – Cash Basis and a Statement of Activities – Cash Basis, and fund financial statements – cash basis which provide a more detailed level of financial information.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of Presentation (Continued)

Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis) 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 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 – Cash Basis compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

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

(b) Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental, and fiduciary.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District only reports the following major governmental funds:

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Fund Accounting (Continued)

Governmental Funds (Continued)

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. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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.

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.

Other Governmental Funds of the District account for specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects.

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated.

(c) Basis of Accounting

Although required by Ohio Administrative Code 117-2-03(B) to prepare its annual financial statements and notes in accordance with GAAP, the District chooses to prepare its financial statements using the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recorded in the District’s financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, each of which are prepared on the budgetary basis of accounting. 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. Although the legal level of control was established at the fund level of expenditures, the District has elected to present the budgetary statement comparison at the fund and function level of disbursements for the General Fund. Any budgetary modifications at the fund 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 receipt 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.

(e) 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 "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 an overnight repurchase agreement, commercial paper, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported cost.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Cash and Investments (Continued)

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, 2013.

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, Public School Support, District Managed Student Activities and Auxiliary Services. In addition, interest earnings on Debt Service Fund investments are recorded entirely in the General Fund. Of the amount reported in the General Fund, approximately \$7,494 was assigned from other District funds.

(f) 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 unclaimed funds.

(g) Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

(h) Capital Assets and Depreciation

Acquisitions of property, plant and equipment are recorded as disbursements when paid. Capital assets are defined as assets with an initial, individual cost of more than \$5,000. These items are not reflected as assets in the accompanying financial statements. Depreciation has not been reported for any capital assets.

Useful lives for capital assets are as follows:

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

(j) Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

(k) Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

(l) Net Position

Net position is reported as restricted when there are limitations imposed on its 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 position restricted for other purposes primarily include resources restricted for unclaimed funds.

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

(m) Fund Balances

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

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

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fund Balances (Continued)

Committed – The committed fund balance classification includes amounts that can be used for the specified purposes imposed by a formal action (resolution) of the District’s Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District’s Board of Education removes or changes the specified use by taking the same action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District’s Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when disbursements are incurred for purposes for which both restricted and unrestricted (committed, assigned and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The District considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

(n) Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the basic financial statements. Interfund activity between governmental funds is eliminated on the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Deficit Fund Cash Balances

Fund cash balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Race to the Top	\$ 2,161
IDEA Part B	87,347
Title I Disadvantaged Children	30,417
Miscellaneous Federal Grants	11,723

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major difference between the budget basis and cash basis is as follows:

1. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (cash basis).

A reconciliation of the cash and budgetary statements of the General Fund is as follows:

	<u>General Fund</u>
Change in Fund Balance - Cash Basis	\$ 298,071
Public School Support Fund	19,195
Encumbrances	(318,070)
Change in Fund Balance- Budgetary Basis	<u>\$ (804)</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

With the implementation of GASB Statement No. 54, *Fund Balance Reporting*, the District's Public School Support Fund and Underground Storage Tank Fund, no longer meet the special revenue fund type criteria for reporting in the fiscal year-end external financial statements. As such, these funds are presented as part of the District's General Fund in the year-end financial statements. The budgetary comparison information in the fiscal year-end financial statements is the legally adopted budget for the General Fund, without modification for the funds no longer meeting the special revenue criteria.

NOTE 5 – 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.

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 fair 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;

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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 for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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.

At fiscal year-end, the carrying amount of the District's deposits was negative \$952,100, exclusive of the repurchase agreement, and the bank balance was \$534,932. The negative carrying amount of deposits does not result in an actual overdraft due to the District's balance with STAR Ohio, the repurchase agreements, and the accessibility of these funds. Of the District's bank balance, \$250,000 was covered by Federal Deposit Insurance Corporation (FDIC) and the remaining balance was exposed to custodial risk. 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 fair value at all times shall be at least one hundred five percent of the deposits being secured.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Investment Type	Cost Value	Percent of Total	Investment Maturities	
			Within 1 Year	Within 1 -2 Years
STAR Ohio	\$ 7,749,404	85.27%	\$ 7,749,404	\$ -
Repurchase Agreement	1,338,715	14.73%	1,338,715	-
Total	<u>\$ 9,088,119</u>	<u>100%</u>	<u>\$ 9,088,119</u>	<u>\$ -</u>

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 – At fiscal year-end, the District’s investments in STAR Ohio, was rated AAAM by Standard & Poor’s. Also, the investments underlying the District’s repurchase agreement were rated AA+ by Standard and Poor’s. The District has no investment policy that addresses credit risk.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District’s investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty not in the name of the District. Ohio law requires the fair value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent, but not in the District’s name. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The 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 categories of STAR Ohio, and Repurchase Agreement exceeded 5 percent of the District’s total investments.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 – 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 revenues received in calendar year 2013 represent collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values listed as of January 1, 2012, 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 revenues received in calendar 2013 represent collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected in 2013 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 on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	<u>2012 Second Half Collections</u>		<u>2013 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 475,593,730	84.69%	\$ 477,176,920	84.97%
Commercial/Industrial and Public Utility Real	67,943,150	12.13%	67,621,180	12.04%
Public Utility Personal	16,496,280	2.94%	16,765,790	2.99%
Tangible Personal Property	-	0.00%	-	0.00%
Total	<u>\$ 560,033,160</u>	<u>99.76%</u>	<u>\$ 561,563,890</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 38.58		\$ 38.37	

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 – 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 8 – TRANSFERS

The District makes all debt service payments from the Debt Service Fund. The Permanent Improvement Fund subsequently reimburses the Debt Service Fund for payments made on permanent improvement tax anticipation note. During fiscal year 2013, the Permanent Improvement Fund reimbursed the Debt Service Fund \$793,324.

NOTE 9 – CAPITAL ASSETS

The District has elected to disclose capital assets, and the activity for the fiscal year follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 3,962,164	\$ -	\$ -	\$ 3,962,164
Construction in Progress	156,500	1,357,410	-	1,513,910
Total Nondepreciable Assets	4,118,664	1,357,410	-	5,476,074
Depreciable Capital Assets				
Land Improvements	1,034,389	268,905	-	1,303,294
Buildings	31,305,774	698,450	-	32,004,224
Furniture and Equipment	4,404,355	155,076	-	4,559,431
Vehicles	3,051,439	134,683	-	3,186,122
Total Depreciable Assets	39,795,957	1,257,114	-	41,053,071
Less accumulated depreciation				
Land Improvements	(615,140)	(53,909)	-	(669,049)
Buildings	(10,909,285)	(675,920)	-	(11,585,205)
Furniture and Equipment	(3,744,077)	(148,167)	-	(3,892,244)
Vehicles	(2,233,819)	(203,481)	-	(2,437,300)
Total accumulated depreciation	(17,502,321)	(1,081,477)	-	(18,583,798)
Depreciable Capital Assets, Net of accumulated depreciation	22,293,636	175,637	-	22,469,273
Total Capital Assets, Net	\$ 26,412,300	\$ 1,533,047	\$ -	\$ 27,945,347

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 – LONG TERM OBLIGATIONS

A summary of changes in long-term obligations for the fiscal year ended June 30, 2013 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	\$ 3,130,000	\$ -	\$ -	\$ 3,130,000	\$ 490,000
<u>Energy Conservation Notes</u>					
<u>Series 2003A</u>					
Current Interest Bonds (1.2-4.1%) maturing 12/1/2018	885,000	-	(110,000)	775,000	115,000
<u>Refunding Bonds Series 2003B</u>					
Current Interest Bonds (1.2-4.4%) maturing 12/1/2022	2,740,000	-	(445,000)	2,295,000	-
Capital Appreciation Bonds	1,366,021	117,374	-	1,483,395	457,354
<u>2005 Refunding Bonds</u>					
Current Interest Bonds (1.2-4.4%) maturing 12/1/2022	4,995,000	-	-	4,995,000	-
Capital Appreciation Bonds	2,564,060	144,587	(970,000)	1,738,647	464,362
<u>Tax Anticipation Notes</u>					
Maturing 12/1/2019 (2.0-5.0%)	2,465,000	-	(280,000)	2,185,000	285,000
<u>Tax Anticipation Notes</u>					
Maturing 12/1/2021 (2.0-3.0%)	3,535,000	-	(340,000)	3,195,000	325,000
Promisory Note (3.25%)	-	143,967	(17,877)	126,090	27,544
Bonds and Notes Payable	<u>21,680,081</u>	<u>405,928</u>	<u>(2,162,877)</u>	<u>19,923,132</u>	<u>2,164,260</u>
<u>Refunding Bonds Series 2003B</u>					
Current Interest Bonds Premium	5,117	-	(487)	4,630	-
Appreciation Bonds Premium	163,713	-	(51,608)	112,105	-
<u>2005 Refunding Bonds</u>					
Current Interest Bonds Premium	222,738	-	(21,214)	201,524	-
Appreciation Bonds Premium	110,396	-	(35,061)	75,335	-
Total Bonds and Notes	<u>22,182,045</u>	<u>405,928</u>	<u>(2,271,247)</u>	<u>20,316,726</u>	<u>2,164,260</u>
Capital Leases	1,302	-	(1,302)	-	-
Total Long Term Obligations	<u>\$ 22,183,347</u>	<u>\$ 405,928</u>	<u>\$ (2,272,549)</u>	<u>\$ 20,316,726</u>	<u>\$ 2,164,260</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 – 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 of constructing, renovating, furnishing, and equipping school buildings. 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. The defeased bonds in the amount of \$11,165,000 were retired. The remaining portion of bonds have a final maturity during fiscal year 2017.

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 matured in fiscal year 2010 at \$105,000.

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. As of June 30, 2013, accumulated accretion on the capital appreciation bonds is \$1,013,407. 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 Debt Service 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. As of June 30, 2013, accumulated accretion on the capital appreciation bonds is \$729,069.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 – LONG TERM OBLIGATIONS (Continued)

Tax Anticipation Notes - In fiscal year 2010, 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 May 5, 2009. The note matures December 1, 2019 with gradually increasing principal payments. Interest is paid semiannually on June 1 and December 1 of each year, which began on December 1, 2009.

In fiscal year 2012, the District issued an additional \$3,535,000 in 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 May 5, 2009. The note matures December 1, 2021 with gradually increasing principal payments. Interest is paid semiannually on June 1 and December 1 of each year, which began on June 1, 2012.

Promissory Notes - In fiscal year 2013, the District borrowed \$143,967 with an annual interest rate of 3.25% from The Vinton County National Bank for the purpose of purchasing copiers. The loan is divided into 60 monthly payments in the amount of \$2,603 due the fifth of every month with the final payment due on October 5, 2017.

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

Fiscal Year	Principal	Interest	Total
2014	2,164,260	717,707	2,881,967
2015	2,011,074	681,102	2,692,176
2016	2,069,230	640,957	2,710,187
2017	2,148,891	581,217	2,730,108
2018	1,924,677	827,932	2,752,609
2019-2023	9,605,000	897,951	10,502,951
Total	<u>\$ 19,923,132</u>	<u>\$ 4,346,866</u>	<u>\$ 24,269,998</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, 2013, the District's total net debt was approximately 3.17% (3.44% at June 30, 2012) 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 \$1,742,476 in accretion of deep discount debt in accordance with State Law. As of June 30, 2013, 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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 – 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 state statute per Chapter 3309 of the Ohio Revised Code. The School Employee Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling 800-878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14% 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' Retirements Board. The Retirement Board acting with the advice of the actuary, allocates the employers contribution rate among four of the funds (Pension Trust fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.05% and 0.05%, respectively. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health care and Medicare B funds. The District's contribution for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011, were \$757,457, \$708,159 and \$685,601, respectively, 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

(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 Ohio 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 Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2011 *Comprehensive Annual Financial Report* can be requested in writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio web site at www.strsoh.org under Publications.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

(b) State Teachers Retirement System (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)

(b) State Teachers Retirement System (Continued)

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,037,193, \$2,121,555, and \$2,212,247, respectively; 100 percent has been contributed for fiscal year 2013, 2012, and 2011.

(c) Social Security System

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2013 two members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 – POSTEMPLOYMENT BENEFITS

(a) School Employees Retirement System

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

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

(a) School Employees Retirement System (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74 percent. The District's contributions for Medicare Part B for the years ended June 30, 2013, 2012 and 2011 were \$42,788, \$41,820, and \$44,120, respectively, 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is 0.16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2013, 2012, and 2011 were \$85,375, \$98,312, and \$176,840, respectively, 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can 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 at www.ohsers.org under Employers/Audit Resources.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

(b) State Teachers Retirement System

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the “Plan”) administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at www.strsoh.org under Publications.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$156,707, \$163,197, and \$170,173, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

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SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 – 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 Casualty. Their insurance agent was Bishop-Scovell Haines Insurance. Coverage provided by Ohio Casualty is as follows:

Property Coverage

Building and Business Personal Property - Replacement Cost	\$70,881,129
Equipment Breakdown	Included

Auto Coverage (per accident or “loss”)

Liability	\$1,000,000
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General Liability Coverage

Bodily Injury and Property Damage Limit (each offense)	\$1,000,000
Personal and Advertising Injury Limit (each offense)	\$1,000,000
General Aggregate Limit	\$2,000,000
Products-Completed Operations Aggregate Limit	\$2,000,000

Employee Benefits Liability Coverage – Claims Made

Each Offense Limit	\$1,000,000
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	\$1,000,000
Aggregate Limit	\$2,000,000

Legal Liability Coverage

Errors and Omission Injury Limit	\$1,000,000
Errors and Omissions Injury Aggregate Limit	\$1,000,000

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 – 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 30 entities within the boundaries of Licking, Perry, Fairfield, 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 2013 were \$149,248. Financial statements for LACA can be obtained from their fiscal agent, the Career and Technology Education Center of Licking County, 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 266 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 59 counties in 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 2013 were \$1,572. 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 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 2013.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2013, the Board consisted of twenty-one members. In fiscal year 2013, the District made payments of \$1,200 to the Council.

NOTE 15 – 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 16 – RELATED PARTY TRANSACTIONS

The District appoints three of the five Board members of its 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, \$1,400 per student per fiscal year. In addition, the District provides special education and related services required by an IEP, as well as administrative and fiscal services, to SLDA. For services provided in fiscal year 2013, the District received \$86,738 from SLDA.

NOTE 17 – 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 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 Capital Acquisition Reserves:

	Capital Acquisition
Set-aside cash balance as of June 30, 2012	\$ -
Current fiscal year set-aside requirement	652,258
Current Year Offsets	(1,364,404)
Total	\$ (712,146)
Balance Carried Forward to Fiscal Year 2014	\$ -

Current year offsets reduced capital acquisition reserve to zero.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 – COMPONENT UNIT DISCLOSURES

(a) Description of the School

The Southwest Licking Digital Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. The Academy 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 the Academy's tax exempt status. 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, and transient students within the Southwest Licking Local School District, the sponsor school district, that desire a specific course not currently offered that is available through online instruction.

The Academy was formally created on January 9, 2003, by entering a sponsorship contract with the Southwest Licking Local School District (the Sponsor). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Treasurer for the Academy is also the Treasurer for the Southwest Licking Local School District. See Note 18 (f) for additional information regarding the sponsorship agreement with the Sponsor.

The Academy purchased the services of Virtual Community School (VCS) to provide educational services during the fiscal year. See Note 18 (g) for information regarding the contract between the Academy and VCS.

The Academy operates under the direction of a five-member Board of Directors appointed by the Sponsor. The majority of those appointed by the Sponsor shall be elected or appointed public officials or public employees, or shall be community leaders who have demonstrated a professional interest in education or in other issues involving children. The remaining members of the Board shall be persons who are parents of students who are expected to attend the community school.

The Academy is a component unit of the Sponsor. The Sponsor appoints a majority of the Board of Directors and is able to impose its will on the Academy. The Sponsor can suspend the Academy's operations for any of the following reasons: 1) The Academy's failure to meet student performance requirements stated in its contract with the Sponsor, 2) The Academy's failure to meet generally accepted standards of fiscal management, 3) the Academy'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 the Academy and the children it serves. The Academy also used the facilities of the Sponsor.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)

(b) Summary of Significant Accounting Policies

As discussed further below, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Academy's accounting policies.

Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Position – Cash Basis; and a Statement of Receipts, Disbursements, and Changes in Net Position – Cash Basis. These statements are prepared on the cash basis of accounting as further described below.

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

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 cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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.

Cash and Cash Equivalents

During the fiscal year, investments were limited to a repurchase agreement.

For purposes of the presentation on the Statement of Net Position – Cash Basis, investments with maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with maturities greater than three months at the time they are purchased are reported as investments.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)

(b) Summary of Significant Accounting Policies (Continued)

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. The Academy had no restricted assets for the year ended June 30, 2013.

Prepaid Items

The School District reports disbursements for prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Inventory

The Academy reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements. Depreciation has not been reported for any capital assets.

Accumulated Leave

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

Accrued Liabilities and Long-Term Obligations

The Academy's cash basis financial statements do not report liabilities for accrued liabilities and long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its 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 had no restricted net position for the year ended June 30, 2013.

The Academy's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)

(c) Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the Academy to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Academy prepared its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The Academy can be fined and various other administrative remedies may be taken against the Academy.

(d) Deposits and Investments

Deposits

At fiscal year-end the carrying amount of the Academy's deposits was negative \$75,914, and the bank balance was \$5,000. There was no actual overdraft due to the "zero-balance" nature of the Academy's bank account. The entire bank balance was covered by federal depository insurance.

Investments

As of June 30, 2013, the Academy's only investment was a repurchase agreement in the amount of \$110,636, all of which may be withdrawn on demand.

Interest Rate Risk: The Academy'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 Academy has no investment policy that addresses credit risk. The investments underlying the Academy's repurchase agreements were rated AA+ by Standard and Poor's.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. The Academy's investment in repurchase agreements is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Academy. Ohio law requires the fair value of the securities subject to repurchase agreement must exceed the principal value of securities subject to a repurchase agreement by 2%.

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer except commercial paper. At June 30, 2013, the only investment held by the Academy was a repurchase agreement.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)

(e) Risk Management

The Academy 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 Academy was listed as an additional insurance organization on the District's insurance coverage from Ohio Casualty. The types and amounts of coverage provided by Ohio Casualty are as follows:

General Liability Coverage - \$2,000,000

Employee Benefits Liability - \$3,000,000

Errors and Omissions Injury - \$1,000,000

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

(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 \$1,400 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, 2013, the Academy paid the Sponsor \$86,738 for the services defined above.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)

(g) Contract with the Virtual Community School

The Academy entered into a one year contract with the Virtual Community School (VCS) to provide educational services for the period July 1, 2012 through June 30, 2013. Under the contract, the following terms were agreed upon:

- VCS will provide the Academy's full time students access to classes totaling six (6) academic credits per school year.
- VCS will provide highly qualified teachers and/or adjunct teachers to deliver the educational services to all the Academy's full time students.
- VCS Ohio will offer the Academy's full time students with a computer, printer, and scanner.
- VCS will provide help desk support and technical support for equipment and course issues.
- VCS will provide training to the Academy's staff twice per year.
- VCS will provide marketing material and marketing support to the Academy.
- VCS will provide a microsite to the Academy. The microsite will include a personalized banner.
- The Academy shall pay to VCS \$2,600 per full-time student, which will entitle the student to classes totaling six academic credits, computer, scanner, and printer.

During the year ended June 30, 2013, the Academy paid VCS \$90,251 for these services. To obtain Virtual Community School's audited June 30, 2013 financial statements, contact Mr. Shane Allen, Treasurer, Virtual Community School of Ohio, 4480 Refugee Road, Columbus, Ohio 43232.

(h) Contingencies

Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability for the Academy.

Litigation

The Academy is not party to any litigation that, in the opinion of management, would have a material effect on the financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)

(i) Changes in Accounting Principles

For fiscal year 2013, the Academy has implemented the following

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34” improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, “The Financial Reporting Entity”, and the related financial reporting requirements of Statement No. 34, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments”, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the Academy.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the Academy.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The implementation of this statement resulted in the reclassification of Net Assets to Net Position.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires the Academy to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement did not have an effect on the financial statements of the Academy

(j) Jointly Governed Organizations

Licking Area Computer Association

The Academy is a participant in the Licking Area Computer Association (LACA). LACA is an association which services 30 entities within the boundaries of Licking, Perry, Fairfield, 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 Academy’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 Academy’s total payments to LACA for fiscal year 2013 were \$621. Financial statements for LACA can be obtained from their fiscal agent, the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 19 – CONTINGENCIES

- (a) **Grants** - The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

- (b) **Litigation** - The District is not party to any litigation that, in the opinion of management, would have a material effect on the financial statements.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES

Changes in Accounting Principles

For fiscal year 2013, the District has implemented the following

GASB Statement No. 61 “The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34” improves financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, “The Financial Reporting Entity”, and the related financial reporting requirements of Statement No. 34, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments”, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements. The implementation of this statement did not have a significant effect on the financial statements of the District.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. The implementation of this statement resulted in the reclassification of Net Assets to Net Position.

GASB Statement No. 65 “Items Previously Reported as Assets and Liabilities” clarifies the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources. The implementation of this statement requires the District to expense all debt issuance costs, rather than defer and amortize them over the life of the applicable debt issue. The implementation of this statement did not have an effect on the financial statements of the District.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 21 – ENCUMBRANCES

The District encumbers funds with purchase orders to assign funds for those purchases of goods and services. Encumbrances as of fiscal year end were as follows:

	Encumbrances
General Fund	\$ 318,070
Permanent Improvement Fund	949,424
Other Governmental Funds	184,070
Total	\$ 1,451,564

NOTE 22 – SUBSEQUENT EVENT

On October 24, 2013 the District issued refunding bonds in the amounts of \$2,294,998 and \$659,999 for the purpose of refunding \$660,000 of Energy Conservation Notes Series 2003A and \$2,295,000 of Refunding Bonds Series 2003B.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Award Year	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster				
Non-Cash Assistance (Food Donation)	2013	10.555	\$ 53,549	\$ 53,549
National School Lunch Program	2013	10.555	<u>635,462</u>	<u>635,462</u>
Total Nutrition Cluster			<u>689,011</u>	<u>689,011</u>
National School Lunch and School Breakfast Programs Expansion Grant	2013	10.560	<u>-</u>	<u>11,723</u>
Total U.S. Department of Agriculture			<u>689,011</u>	<u>700,734</u>
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>				
Title I Cluster				
Title I Grants to Local Educational Agencies	2013	84.010	453,087	483,505
Title I Grants to Local Educational Agencies	2012	84.010	53,614	39,714
ARRA Title I Grants to Local Educational Agencies	2012	84.389	<u>58,995</u>	<u>58,995</u>
Total Title I Cluster			<u>565,696</u>	<u>582,214</u>
Special Education Grants to States	2013	84.027	556,408	642,717
Special Education Grants to States	2012	84.027	95,910	80,037
ARRA Race to the Top Incentive Grants	2013	84.395	84,457	86,617
ARRA Race to the Top Incentive Grants	2012	84.395	20,418	2,652
Improving Teacher Quality State Grants	2013	84.367	47,987	35,397
Improving Teacher Quality State Grants	2012	84.367	12,672	26,995
Education Jobs	2012	84.410	<u>24,620</u>	<u>34,893</u>
Total U.S. Department of Education			<u>1,408,168</u>	<u>1,491,522</u>
Total Federal Awards			<u>\$ 2,097,179</u>	<u>\$ 2,192,256</u>

The accompanying notes are an integral part of this schedule.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Southwest Licking Local School District's (the District's) federal award programs receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

The District uses the services of DJ Co-ops to hold, process, and deliver its federal commodities at a nominal rate.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Southwest Licking Local School District
Licking County
927-A South Street
Pataskala, Ohio 43062

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Southwest Licking Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2014, wherein we noted the District and its discretely component unit use a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, sweeping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Southwest Licking Local School District
Licking County
927-A South Street
Pataskala, OH 43062

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Southwest Licking Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Southwest Licking Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended June 30, 2013, it was not subject to OMB Circular A-133 audit requirements.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect the major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Special Education Cluster

As described in finding 2013-002 in the accompanying schedule of findings, the District did not comply with requirements regarding Allowable Costs/Cost Principles applicable to its Special Education Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Special Education Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster* paragraph, the Southwest Licking Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2013-002 to be a material weakness.

The District's response to our internal control over compliance finding is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2014

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> • <u>Special Education Cluster:</u> - Special Education Grants to States CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

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

Finding Number	2013-001
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Annual Financial Report – Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District and its discretely presented component unit to prepare their annual financial reports in accordance with accounting principles generally accepted in the United States of America. However, the District and its discretely presented component unit prepared their financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures. While these items are material, they cannot be determined at this time.

Pursuant to Ohio Revised Code Section 117.38 the District may be fined for its failure to file the required financial report

We recommend the District prepare its financial statements in accordance with GAAP.

We did not receive an Official's Response for the finding reported above.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2013-002
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CFDA Title and Number	Special Education Grants to States, #84.027
Federal Award Year	2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Time and Effort Certifications – Noncompliance / Material Weakness

2 C.F.R. Part 225, Attachment B, Section 8.h. provides, in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the government unit. When employees work on multiple activities or cost objectives, a distribution of compensation shall be supported by personnel activity reports that reflect the actual activity and total activity of the employees, unless certain time study requirements are met. An employee whose compensation is allocated solely to a single cost objective must furnish semiannual certificates that he/she has been engaged solely in activities supportive of the cost objectives.

The District did not certify wages for time spent on a single Federal award nor did it require personnel activity reports or equivalent documentation for wages of employees. For the Special Education Cluster Major program, we noted 6 employees who should have had semi-annual certifications totaling \$264,123; however, alternative measures were able to be performed to determine the allowability of these expenditures

To avoid the potential loss of, or decrease of federal funding, the District should perform semiannual certification of wages for employees working on a single Federal award, and require personnel activity reports or equivalent documentation which meets the standards set forth in 2. C.F.R. Part 225, Appendix B, Section 8 (h) (5) for employees paid from multiple federal funds.

Failure to properly complete time and effort certifications could result in unallowable costs and misuse of federal funds.

We recommend the District complete and maintain personnel activity reports that reflect the distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, and contain a certification signature of the grant coordinator and employee.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	Noncompliance: Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B).	No	Not Corrected; reissued as Finding 2013-001

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
June 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-001	The Southwest Licking LSD will put procedures in place to make sure the required certifications are completed. The procedures will be developed in cooperation with the Superintendent and District Office / Building Level administrators	May 31, 2014	Richard Jones, Treasurer

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Dave Yost • Auditor of State

INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Southwest Licking Local School District
Licking County
927-A South St
Pataskala, Ohio 43062

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Southwest Licking Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on 12/13/10 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 19, 2014

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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 27, 2014**