

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

RICHARD D. JONES, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountant's Report* of the Southwest Licking Local School District, Licking County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 30, 2011

This page intentionally left blank.

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

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountants' Report	1 - 2
Management's Discussion and Analysis	3 - 9
Basic Financial Statements:	
Statement of Net Assets - Cash Basis	11
Statement of Activities - Cash Basis.....	12
Balance Sheet - Cash Basis - Governmental Funds	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds	14
Statement of Cash Receipts, Disbursements and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	15
Statement of Fiduciary Net Assets - Cash Basis - Fiduciary Fund	16
Notes to the Basic Financial Statements	17 - 51
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards	52 - 53
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	54 - 55
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	56 - 57
Schedule of Findings and Responses <i>OMB Circular A-133</i>	58 - 59

This page intentionally left blank.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Accountants' Report

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

To the Board of Education:

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 the Southwest Licking Local School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Southwest Licking Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Southwest Licking Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the Government to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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 the Southwest Licking Local School District, Licking County, Ohio, as of June 30, 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General fund for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the fiscal year ended June 30, 2011, the Southwest Licking Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Independent Accountants' Report
Southwest Licking Local School District
Page Two

For fiscal year 2011, the Southwest Licking Local School District changed its accounting basis from accounting principles generally accepted in the United States of America to the cash basis of accounting. See Note 3 for further information.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, on our consideration of the Southwest Licking Local School 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the cash basis basic financial statements. Although this information is not part of the cash basis basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the cash basis basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the cash basis basic financial statements, and other knowledge we obtained during our audit of the cash basis basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Southwest Licking Local School District's cash basis basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* provides additional analysis and is not a required part of the cash basis basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the cash basis basic financial statements. This schedule was subject to the auditing procedures we applied to the cash basis basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the cash basis basic financial statements or to the cash basis basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the cash basis basic financial statements taken as a whole.



Julian & Grube, Inc.
October 28, 2011

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (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, 2011, 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 assets of governmental activities decreased \$1,055,874, or 12.4 percent, a significant change from the prior year. The fund most affected by the decrease in cash and investments was the General Fund, which realized the greatest burden of increased costs in 2011.
- The District's general receipts are primarily property taxes, income taxes, and intergovernmental aid. These receipts represent respectively 42.1%, 10.6%, and 33.6% of the total cash received for governmental activities during the year.
- At the end of the current fiscal year, Unrestricted fund balance for the general fund was approximately \$3.7 million, or 11.2 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 assets presents the cash balances and investments of the governmental activities of the District at year end.

The statement of activities 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, 2011 (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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Government-wide Financial Analysis

An analysis of fiscal year 2011 in comparison with fiscal year 2010 follows for the Statement of Net Assets:

	<u>2011</u>	<u>Restated 2010</u>	<u>Change</u>
Cash and Investments	\$ 7,474,747	\$ 8,530,621	-12.38%
Total Assets	<u>7,474,747</u>	<u>8,530,621</u>	-12.38%
Restricted for:			
Debt Service	2,698,490	2,515,768	7.26%
Permanent Improvements	388,807	262,543	48.09%
Unexpended Grants	231,596	131,758	75.77%
Food Service	339,513	242,854	39.80%
Extracurricular Activities	104,580	100,269	4.30%
Other Purposes	5,575	4,287	30.04%
Unrestricted	<u>3,706,186</u>	<u>5,273,142</u>	-29.72%
Total Net Assets	<u>\$ 7,474,747</u>	<u>\$ 8,530,621</u>	-12.38%

As mentioned previously, net assets of governmental activities decreased \$1,055,874 or 12.4 percent during 2011.

A significant portion of the District's net assets (44.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4.1 million) may be used to meet the District's ongoing obligations to citizens and creditors.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

An analysis of fiscal year 2011 follows for the Statement of Activities:

Governmental Activities

	2011
Program Receipts	
Charges for Services	\$ 1,886,887
Operating Grants	3,162,151
General Receipts	
Property Taxes	16,508,924
Income Taxes	4,180,799
Grants and Entitlements	13,203,014
Payments in Lieu of Taxes	102,712
Investment Earnings	74,592
Miscellaneous	123,638
Total Receipts	39,242,717
Program Disbursements	
Instructional	21,503,094
Support Services	13,691,285
Non-instructional	1,411,950
Extra Curricular Activities	764,330
Capital Outlay	553,032
Principal Payments	1,665,000
Interest and Fiscal Charges	709,900
Total Disbursements	40,298,591
Change in Net Assets	(1,055,874)
Net Assets at Beginning of Year, Restated	8,530,621
Net Assets at End of Year	\$ 7,474,747

Program receipts represent only 12.9 percent of total receipts and are comprised of charges for services and sales and operating grants and contributions.

General receipts represent 87.1 percent of the District's total receipts, and of this amount, 52.7 percent are local taxes. State and federal grants and entitlements make up 33.6 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 53.3 and 34 percent of all governmental disbursements, respectively.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Because for fiscal year 2010, the District prepared its basic financial statements in accordance with generally accepted accounting principles, we will not show a comparison of fiscal year 2011 to fiscal year 2010. In future years, we will present such a schedule on the cash basis of accounting.

If you look at the Statement of Activities on page 12, 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 2011.

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Program expenses		
Instructional	\$ 21,503,094	\$ 19,507,214
Support services	13,691,285	12,609,631
Non-instructional	1,411,950	(117,983)
Extra Curricular Activities	764,330	322,759
Capital Outlay	553,032	553,032
Debt Service	2,374,900	2,374,900
	<u> </u>	<u> </u>
Total	<u>\$ 40,298,591</u>	<u>\$ 35,249,553</u>

Because for fiscal year 2010, the District prepared its basic financial statements in accordance with accounting principles generally accepted in the United States, we will not show a comparison of fiscal year 2011 to fiscal year 2010. In future years, we will present such a schedule on the cash basis of accounting.

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 \$7.5 million, a decrease of approximately \$1.1 million in comparison with the prior fiscal year.

Of this amount, \$501,374 is available for spending at the District’s discretion. The remainder of fund balance is restricted (\$3.8 million), committed (\$11,000) or assigned (\$3.2 million).

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

An analysis of fiscal year 2011 in comparison with fiscal year 2010 follows:

<u>Fund:</u>	<u>As of June 30, 2011</u>	<u>As of June 30, 2010</u>	<u>Change</u>
General Fund	\$ 3,711,761	\$ 5,277,429	-29.67%
Permanent Improvement Fund	388,807	262,543	48.09%
Debt Service Fund	2,698,490	2,515,768	7.26%
Other Governmental Funds	<u>675,689</u>	<u>474,881</u>	42.29%
Total Fund Balance	<u>\$ 7,474,747</u>	<u>\$ 8,530,621</u>	-12.38%

Total governmental funds had receipts of \$39.2 million and disbursements of \$40.3 million. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased approximately \$1.6 million.

General Fund receipts were less than disbursements by \$1.6 million indicating that the General Fund is 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.

Original estimated resources exceeded final estimated resources by \$307,421 while original appropriations exceeded final appropriations by \$304,116. Final revenues and other financing sources exceeded the actual revenues and other financing sources estimate by \$131,752. Final appropriations exceeded actual expenditures and other financing uses by \$146,418, 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 \$26.8 million (net of accumulated depreciation) invested in capital assets, a decrease of approximately \$1.1 million in comparison with the prior fiscal year. This decrease represents the amount of current year depreciation expense of approximately \$1.1 million exceeding \$74,397 in additions. Detailed information regarding capital asset activity can be found in the Note 10 to the basic financial statements.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2011 (UNAUDITED)

Debt

At the end of the fiscal year, the District had total debt outstanding of approximately \$19.4 million, a decrease of approximately \$1.4 million from fiscal year 2010. For the most part, this decrease represents principal payments of \$1.7 million offset by the increase as the result of accretion and amortization of debt outstanding.

Detailed information regarding long-term obligations can be found in Note 11 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, 2011, the District's general obligation debt was below the legal limit.

Economic Factors

During fiscal year 2011, the Board of Education approved approximately \$1.6 million dollars in cuts for fiscal year 2012. The majority of the cost saving was done through cuts in personnel and the closing of our kindergarten center.

The school district is in negotiations with both our teaching and non-teaching unions, for new contracts starting July 1, 2011, to try to work with both Unions to put in place cost control measures to extend the life of the \$4.525 million dollars emergency operating levy the voters approved in November 2010.

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.

-This page was intentionally left blank-

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF NET ASSETS- CASH BASIS
AS OF JUNE 30, 2011**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Southwest Licking Digital Academy</u>
Assets		
Cash and Cash Equivalents	\$ 7,467,897	\$ 20,000
Cash in a Segregated Account	1,508	-
Restricted Cash and Cash Equivalents	5,342	-
Total Assets	<u>7,474,747</u>	<u>20,000</u>
Net Assets		
Restricted for:		
Debt Service	2,698,490	-
Permanent Improvements	388,807	-
State and Federal Grants	231,596	-
Food Services	339,513	-
Extracurricular Activities	104,580	-
Other Purposes	5,575	-
Unrestricted	3,706,186	20,000
Total Net Assets	<u>\$ 7,474,747</u>	<u>\$ 20,000</u>

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, 2011

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities	Component Unit Southwest Licking Digital Academy
Governmental Activities					
Instruction					
Regular Instruction	\$ 14,935,636	\$ 247,574	\$ 92,647	\$ (14,595,415)	\$ -
Special Instruction	3,734,031	49,673	811,147	(2,873,211)	-
Vocational Instruction	400,125	6,708	19,004	(374,413)	-
Other Instruction	2,433,302	28,396	740,731	(1,664,175)	-
Support Services					
Pupils	2,089,155	31,773	198,641	(1,858,741)	-
Instructional Staff	1,766,029	23,887	363,292	(1,378,850)	-
Board of Education	85,858	1,439	-	(84,419)	-
Administration	2,986,096	139,872	-	(2,846,224)	-
Fiscal Services	840,327	17,824	-	(822,503)	-
Business Operations	221,530	1,900	-	(219,630)	-
Operation and Maintenance of Plant	2,539,205	41,418	-	(2,497,787)	-
Pupil Transportation	2,303,350	38,415	-	(2,264,935)	-
Central	859,735	7,343	215,850	(636,542)	-
Non-instructional	1,411,950	809,094	720,839	117,983	-
Extra Curricular Activities	764,330	441,571	-	(322,759)	-
Capital Outlay	553,032	-	-	(553,032)	-
Principal Payments	1,665,000	-	-	(1,665,000)	-
Interest and Fiscal Charges	709,900	-	-	(709,900)	-
Total Governmental Activities	\$ 40,298,591	\$ 1,886,887	\$ 3,162,151	(35,249,553)	-
Component Unit					
Southwest Licking Digital Academy	\$ 223,266	\$ -	\$ 185,837	-	(37,429)
General Receipts					
Property Taxes Levied for:					
General Purposes				13,340,497	-
Debt Service				1,779,224	-
Capital Projects				1,389,203	-
Income Taxes				4,180,799	-
Grants & Entitlements not Restricted				13,203,014	40,026
Payment in Lieu of Taxes				102,712	-
Investment Earnings				74,592	91
Miscellaneous				123,638	-
Total General Receipts				34,193,679	40,117
Change in Net Assets				(1,055,874)	2,688
Net Assets Beginning of Year, as Restated				8,530,621	17,312
Net Assets End of Year				\$ 7,474,747	\$ 20,000

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, 2011**

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 3,706,419	\$ 388,807	\$ 2,698,490	\$ 674,181	\$ 7,467,897
Cash in a Segregated Account	-	-	-	1,508	1,508
Restricted Cash and Cash Equivalents	5,342	-	-	-	5,342
Total Assets	\$ 3,711,761	\$ 388,807	\$ 2,698,490	\$ 675,689	\$ 7,474,747
Fund Balances:					
Nonspendable:					
Unclaimed Monies	5,342	-	-	-	5,342
Restricted for:					
Debt Service	-	-	2,698,490	-	2,698,490
Permanent Improvements	-	388,807	-	-	388,807
State and Federal Grants	-	-	-	231,596	231,596
Food Services	-	-	-	339,513	339,513
Extracurricular Activities	-	-	-	104,580	104,580
Other Purposes	233	-	-	-	233
Committed for:					
Underground Storage	11,000	-	-	-	11,000
Assigned for:					
School Support	168,414	-	-	-	168,414
Encumbrances	183,876	-	-	-	183,876
Future Appropriations	2,841,522	-	-	-	2,841,522
Unassigned	501,374	-	-	-	501,374
Total Fund Balances	3,711,761	388,807	2,698,490	675,689	7,474,747
Total Liabilities and Fund Balances	\$ 3,711,761	\$ 388,807	\$ 2,698,490	\$ 675,689	\$ 7,474,747

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, 2011

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property Taxes	\$ 13,340,497	\$ 1,389,203	\$ 1,779,224	\$ -	\$ 16,508,924
Income Taxes	4,180,799	-	-	-	4,180,799
Payments in Lieu of Taxes	102,712	-	-	-	102,712
Intergovernmental	12,763,788	226,582	231,648	3,143,147	16,365,165
Charges for Services	102,619	-	-	806,469	909,088
Interest	67,690	4,313	-	2,589	74,592
Tuition and Fees	542,262	-	-	-	542,262
Extracurricular Activities	146,207	-	-	203,085	349,292
Other	107,044	-	-	23,740	130,784
Total Receipts	<u>31,353,618</u>	<u>1,620,098</u>	<u>2,010,872</u>	<u>4,179,030</u>	<u>39,163,618</u>
Disbursements:					
Instruction:					
Regular	14,768,026	80,303	-	87,307	14,935,636
Special	2,963,037	-	-	770,994	3,734,031
Vocational	400,125	-	-	-	400,125
Other	1,693,838	-	-	739,464	2,433,302
Support services:					
Pupils	1,895,266	-	-	193,889	2,089,155
Instructional Staff	1,424,911	-	-	341,118	1,766,029
Board of Education	85,858	-	-	-	85,858
Administration	2,986,096	-	-	-	2,986,096
Fiscal Services	818,891	21,436	-	-	840,327
Business Operations	113,338	83,758	24,434	-	221,530
Operation and Maintenance of Plant	2,470,603	68,602	-	-	2,539,205
Pupil Transportation	2,291,518	11,832	-	-	2,303,350
Central	438,941	204,944	-	215,850	859,735
Non-instructional Services	404	-	-	1,411,546	1,411,950
Extracurricular Activities	541,752	850	-	221,728	764,330
Capital Outlay	68,764	484,268	-	-	553,032
Debt service:					
Principal Retirement	-	-	1,665,000	-	1,665,000
Interest and Fiscal Charges	-	-	709,900	-	709,900
Total Disbursements	<u>32,961,368</u>	<u>955,993</u>	<u>2,399,334</u>	<u>3,981,896</u>	<u>40,298,591</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(1,607,750)</u>	<u>664,105</u>	<u>(388,462)</u>	<u>197,134</u>	<u>(1,134,973)</u>
Other Financing Sources (Uses):					
Donations	14,450	-	-	2,507	16,957
Proceeds from Sale of Assets	18,189	3,462	-	-	21,651
Insurance Proceeds	9,443	29,881	-	1,167	40,491
Transfers In	-	-	571,184	-	571,184
Transfers Out	-	(571,184)	-	-	(571,184)
Total Other Financing Sources (Uses)	<u>42,082</u>	<u>(537,841)</u>	<u>571,184</u>	<u>3,674</u>	<u>79,099</u>
Net Change in Fund Balances	(1,565,668)	126,264	182,722	200,808	(1,055,874)
Fund Balance Beginning of Year, as Restated	5,277,429	262,543	2,515,768	474,881	8,530,621
Fund Balance End of Year	<u>\$ 3,711,761</u>	<u>\$ 388,807</u>	<u>\$ 2,698,490</u>	<u>\$ 675,689</u>	<u>\$ 7,474,747</u>

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, 2011

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
Property Taxes	\$ 13,643,196	\$ 13,336,097	\$ 13,340,497	\$ 4,400
Income Taxes	4,053,956	4,053,956	4,180,799	126,843
Payments in Lieu of Taxes	100,175	100,175	102,712	2,537
Intergovernmental	12,750,656	12,750,656	12,763,788	13,132
Charges for Services	106,270	106,270	93,960	(12,310)
Earnings on Investments	70,000	70,000	66,708	(3,292)
Tuition & Fees	527,977	527,977	533,099	5,122
Extracurricular Activities	136,567	136,567	139,250	2,683
Miscellaneous	87,840	87,518	61,496	(26,022)
Total Receipts	31,476,637	31,169,216	31,282,309	113,093
Disbursements:				
Instruction:				
Regular	15,299,633	14,854,573	14,810,071	44,502
Special	2,879,356	2,992,485	2,977,484	15,001
Vocational	414,141	419,655	412,519	7,136
Other	1,353,020	1,694,719	1,693,838	881
Support Services:				
Pupils	1,811,997	1,903,956	1,895,266	8,690
Instructional Staff	1,551,220	1,443,309	1,443,111	198
Board of Education	111,692	85,858	85,858	-
Administration	3,227,311	3,060,197	3,059,086	1,111
Fiscal	853,367	815,833	815,823	10
Business	120,764	130,921	130,850	71
Operation and Maintenance of Plant	2,491,621	2,496,611	2,476,197	20,414
Pupil Transportation	2,152,991	2,317,229	2,292,211	25,018
Central	695,550	446,036	438,042	7,994
NonInstructional Services	5,294	5,294	404	4,890
Extracurricular Activities	554,339	551,504	541,752	9,752
Capital Outlay	750	750	-	750
Total Disbursements	33,523,046	33,218,930	33,072,512	146,418
Excess of Receipts Over (Under) Disbursements	(2,046,409)	(2,049,714)	(1,790,203)	259,511
Other Financing Sources (Uses):				
Donations	13,334	13,334	-	(13,334)
Sale of Capital Assets	6,522	6,522	18,189	11,667
Insurance Proceeds	3,711	3,711	9,443	5,732
Transfers -In	408,909	408,909	429,235	20,326
Transfers -Out	(408,909)	(429,235)	(429,235)	-
Total Other Financing Sources (Uses)	23,567	3,241	27,632	24,391
Net Change in Fund Balance	(2,022,842)	(2,046,473)	(1,762,571)	283,902
Fund Balances at Beginning of Year	4,946,788	4,946,788	4,946,788	-
Prior Year Encumbrances Appropriated	164,255	164,255	164,255	-
Fund Balances at End of Year	\$ 3,088,201	\$ 3,064,570	\$ 3,348,472	\$ 283,902

See accompanying notes to the basic financial statements

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS- CASH BASIS
FIDUCIARY FUND
AS OF JUNE 30, 2011**

	<u>Agency Fund</u>
Assets	
Cash and Cash Equivalents	<u>\$ 27,724</u>
Total Assets	<u>27,724</u>
Liabilities	
Held for Student Liabilities	<u>27,724</u>
Total Liabilities	<u><u>\$ 27,724</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, 2011

NOTE 1 – DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

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

The District was established in 1953 through the consolidation of existing land areas and school districts. The District serves an area of approximately 65 square miles. It is located in Licking County, and includes the City of Pataskala, the Village of Kirkersville, and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The District is staffed by 162 non-certificated personnel and 265 certificated full-time personnel who provide services to 3,743 students and other community members. The District currently operates six instructional buildings, one administrative building, and one support service building.

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

The following activities are included within the reporting entity:

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

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

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 – DESCRIPTION OF THE DISTRICT AND 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. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 assets and a statement of activities, and fund financial statements 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, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (the District 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 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:

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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2011

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, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2011.

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 \$26,632 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. These items are not reflected as assets in the accompanying financial statements. Depreciation has not been reported for any capital assets.

(i) Interfund Activity

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

(j) 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.

(k) Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 13 and 14, the employer contributions include portions for pension benefits and for postretirement health care benefits.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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.

(m) Net Cash Assets

Net cash assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net cash assets restricted for other purposes 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 assets, none of the restricted net cash assets were a result of enabling legislation.

(n) Fund Balance Reserves and Designations

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.

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 Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District 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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

(o) 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 assets- 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, 2011

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

A. Change in Basis of Accounting

For fiscal year 2011, the District ceased to report using accounting principles generally accepted in the United States of America and reported on the cash basis as described in Note 2C.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the District as they were previously reported. Also, due to the implementation of GASB 54, the Public School Support and Underground Storage Tank funds were reclassified to the General Fund from Other Governmental in the previous fiscal year. The effects on net assets of governmental activities are also presented.

	General Fund	Permanent Improvement Fund	Debt Service Fund
Fund Balance June 30, 2010	\$ 5,529,912	\$ (2,670,363)	\$ 3,073,039
Eliminate Receivables	(15,788,979)	(1,537,809)	(1,905,427)
Eliminate Materials and supplies inventory	(15,582)	-	-
Eliminate Prepayments	(84,020)	-	-
Eliminate Due from Other Funds	-	-	(204,750)
Eliminate Payables	3,843,519	9,029	-
Eliminate Due to Other Funds	-	204,750	-
Eliminate Deferred revenue	11,626,193	1,256,936	1,552,906
Eliminate Tax Anticipation Note	-	3,000,000	-
Reclass Public School Support	155,386	-	-
Reclass Underground Storage Tank	11,000	-	-
Adjusted Fund Balances June 30, 2010	<u>\$ 5,277,429</u>	<u>\$ 262,543</u>	<u>\$ 2,515,768</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY
(Continued)

	Other Governmental Fund	Total Governmental Funds
Fund Balance June 30, 2010	\$ 320,405	\$ 6,252,993
Eliminate Receivables	(135,766)	(19,367,981)
Eliminate Materials and supplies inventory	(27,852)	(43,434)
Eliminate Prepayments	-	(84,020)
Eliminate Due from Other Funds	-	(204,750)
Eliminate Payables	343,194	4,195,742
Eliminate Due to Other Funds	-	204,750
Eliminate Deferred revenue	141,286	14,577,321
Eliminate Tax Anticipation Note	-	3,000,000
Reclass Public School Support	(155,386)	-
Reclass Underground Storage Tank	(11,000)	-
Adjusted Fund Balances June 30, 2010	<u>\$ 474,881</u>	<u>\$ 8,530,621</u>

	Governmental Activities	Agency Fund
Net Assets June 30, 2010	\$ 15,356,864	\$ 38,294
Eliminate Receivables	(19,367,981)	-
Eliminate Materials and supplies inventory	(43,434)	-
Eliminate Prepayments	(84,020)	-
Eliminate Unamortized issuance costs	(183,354)	-
Eliminate Capital Assets	(27,793,546)	-
Eliminate Payables	4,113,047	-
Eliminate Unearned Revenue	13,081,625	-
Eliminate Long-term Liabilities	23,451,420	-
Adjusted Net Assets June 30, 2010	<u>\$ 8,530,621</u>	<u>\$ 38,294</u>

NOTE 4 – 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 assets/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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 – 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 differences between the budget basis and cash basis are as follows:

1. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (cash basis).

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

	General Fund
Change in Fund Balance - Cash Basis	\$ 1,565,668
Public School Support Fund	13,028
Encumbrances	183,875
Change in Fund Balance- Budgetary Basis	\$ 1,762,571

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 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the carrying amount of the District’s deposits was negative \$518,882 exclusive of repurchase agreement, and the bank balance was \$217,489. The negative carrying amount of deposits does not result in an actual overdraft due to the District’s balance with STAR Ohio and the accessibility of these funds. Of the District’s bank balance, the entire balance was covered by Federal Deposit Insurance. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

Investments

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

Investment Type	Fair Value	Percent of Total	Investment Maturities
			Within 1 Year
Repurchase Agreement	\$ 138,123	1.72%	\$ 138,123
STAR Ohio	7,883,230	98.28%	7,883,230
Total	<u>\$ 8,021,353</u>	<u>100%</u>	<u>\$ 8,021,353</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 - STAR Ohio carries a rating of AAAM by Standard and Poor’s. The investments underlying the District’s repurchase agreement were rated AAA by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that 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 market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. 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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)

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 category of STAR Ohio exceeded 5 percent of the District's total investments.

NOTE 7 – 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 2011 represent collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values listed as of January 1, 2010, 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 2011 represent collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in 2011 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 revenues received during calendar 2011 (other than public utility property) represent the collection of calendar 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 1, 2010. 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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 – PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	<u>2010 First Half Collections</u>		<u>2011 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 496,198,870	85.80%	\$ 495,987,200	85.76%
Commercial/Industrial and Public Utility Real	66,070,240	11.42%	66,412,480	11.48%
Public Utility Personal	15,133,790	2.62%	15,934,920	2.76%
Tangible Personal Property	944,200	0.16%	6,510	0.00%
Total	<u>\$ 578,347,100</u>	<u>100.00%</u>	<u>\$ 578,341,110</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 36.41		\$ 38.62	

NOTE 8 – 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 9 – DUE TO/FROM OTHER FUNDS

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 2011, this reimbursement was made along with the reimbursement for fiscal year 2010.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 – CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$ 3,939,826	\$ -	\$ -	\$ 3,939,826
Total Nondepreciable Assets	<u>3,939,826</u>	<u>-</u>	<u>-</u>	<u>3,939,826</u>
Depreciable Capital Assets				
Land Improvements	980,389	-	-	980,389
Buildings	31,305,774	-	-	31,305,774
Furniture and Equipment	4,211,664	74,397	-	4,286,061
Vehicles	3,091,355	-	(308,496)	2,782,859
Total Depreciable Assets	<u>39,589,182</u>	<u>74,397</u>	<u>(308,496)</u>	<u>39,355,083</u>
Less accumulated depreciation				
Land Improvements	(516,506)	(48,417)	-	(564,923)
Buildings	(9,572,625)	(669,366)	-	(10,241,991)
Furniture and Equipment	(3,466,872)	(156,318)	-	(3,623,190)
Vehicles	(2,179,459)	(182,711)	308,496	(2,053,674)
Total accumulated depreciation	<u>(15,735,462)</u>	<u>(1,056,812)</u>	<u>308,496</u>	<u>(16,483,778)</u>
Depreciable Capital Assets, Net of accumulated depreciation	<u>23,853,720</u>	<u>(982,415)</u>	<u>-</u>	<u>22,871,305</u>
Total Capital Assets, Net	<u>\$ 27,793,546</u>	<u>\$ (982,415)</u>	<u>\$ -</u>	<u>\$ 26,811,131</u>

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 – LONG TERM OBLIGATIONS

A summary of changes in long-term obligations for the fiscal year ended June 30, 2011 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	\$ -
<u>Energy Conservation Notes</u>					
<u>Series 2003A</u>					
Current Interest Bonds (1.2-4.1%) maturing 12/1/2018	1,100,000	-	(105,000)	995,000	110,000
<u>Refunding Bonds Series 2003B</u>					
Current Interest Bonds (1.2-4.4%) maturing 12/1/2022	3,500,000	-	(365,000)	3,135,000	395,000
Capital Appreciation Bonds	1,139,305	112,056	-	1,251,361	-
<u>2005 Refunding Bonds</u>					
Current Interest Bonds (1.2-4.4%) maturing 12/1/2022	5,930,000	-	(935,000)	4,995,000	-
Capital Appreciation Bonds	3,124,124	215,637	-	3,339,761	938,475
<u>Tax Anticipation Notes</u>					
Maturing 12/1/2019 (2.0-5.0%)	3,000,000	-	(260,000)	2,740,000	275,000
Bonds and Notes Payable	<u>20,923,429</u>	<u>327,693</u>	<u>(1,665,000)</u>	<u>19,586,122</u>	<u>1,718,475</u>
<u>Refunding Bonds Series 2003B</u>					
Current Interest Bonds Premium	6,091	-	(487)	5,604	-
Appreciation Bonds Premium	266,929	-	(51,608)	215,321	-
Deferred Amount on Refunding	(318,588)	-	30,342	(288,246)	-
<u>2005 Refunding Bonds</u>					
Current Interest Bonds Premium	265,166	-	(21,214)	243,952	-
Appreciation Bonds Premium	224,765	-	(61,787)	162,978	-
Deferred Amount on Refunding	(521,819)	-	41,746	(480,073)	-
Total Bonds and Notes	<u>20,845,973</u>	<u>327,693</u>	<u>(1,728,008)</u>	<u>19,445,658</u>	<u>1,718,475</u>
Capital Leases	58,724	-	(27,566)	31,158	29,856
Total Long Term Obligations	<u>\$ 20,904,697</u>	<u>\$ 327,693</u>	<u>\$ (1,755,574)</u>	<u>\$ 19,476,816</u>	<u>\$ 1,748,331</u>

Capital leases are being paid out of the Permanent Improvement Fund.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 – 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. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2027. On March 8, 2005 the District issued refunding bonds in the amount of \$11,164,987 to advance refund a portion of the outstanding 1999 school facilities construction bonds and take advantage of lower interest rates. As a result, \$11,165,000 of the 1999 school facilities construction and improvement bonds were considered defeased and removed from the District's liability. \$11,958,166 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded portion of the 1999 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$793,166. As of June 30, 2011, the defeased bonds in the amount of \$11,165,000 were retired.

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, 2011, accumulated accretion on the capital appreciation bonds is \$781,373. The debt is being repaid by tax receipts through the bond retirement fund.

2005 Refunding Bonds - On March 8, 2005 the District issued refunding bonds in the amount of \$11,164,987 to advance refund a portion of the outstanding 1999 school facilities construction bonds and take advantage of lower interest rates. The \$11,164,987 in refunding bonds consisted of serial, term, and capital appreciation bonds in the amounts of \$3,955,000, \$4,995,000, and \$2,214,987, respectively. The debt is being repaid by tax receipts through the bond retirement fund. The refunding bonds were sold at a premium in the amount of \$967,645 and bond issuance costs were \$174,466. The capital appreciation bonds of \$2,214,987 will mature at \$4,055,000 ranging from the fiscal years of 2012 to 2018. As of June 30, 2011, accumulated accretion on the capital appreciation bonds is \$1,124,774.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 – 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.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,718,475	\$ 721,375	\$ 2,439,850
2013	1,713,246	751,954	2,465,200
2014	1,685,621	782,323	2,467,944
2015	1,582,487	654,085	2,236,572
2016	1,640,896	646,293	2,287,189
2017-2021	8,820,397	2,248,381	11,068,778
2022-2023	2,425,000	83,072	2,508,072
Total	<u>\$ 19,586,122</u>	<u>\$ 5,887,483</u>	<u>\$ 25,473,605</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, 2011, the District's total net debt was approximately 3.03% (3.33% at June 30, 2010) 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 \$1,906,147 in accretion of deep discount debt in accordance with State Law. As of June 30, 2011, 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, 2011

NOTE 12 – CAPITAL LEASE OBLIGATIONS

The District has entered into several lease agreements as lessee for financing the acquisition of copiers. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. The District disbursed \$31,268 to pay lease payments during fiscal year 2011. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 29,856	\$ 1,414	\$ 31,270
2013	1,302	9	1,311
Total	<u>\$ 31,158</u>	<u>\$ 1,423</u>	<u>\$ 32,581</u>

NOTE 13 – 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, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health care and Medicare B funds. The District's contribution to SERS for the years ended June 30, 2011, 2010 and 2009, were \$685,601, \$686,976 and \$423,985, respectively, 100 percent has been contributed for fiscal year 2011, 2010 and 2009.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

(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 2010 *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.

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.

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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

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.

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, 2011, were 10% of covered payroll for members and 14% for employers.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,212,247, \$2,224,382, and \$2,121,044, respectively; 100 percent has been contributed for fiscal year 2011, 2010, and 2009.

(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, 2011 two members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 – 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

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 2011, the actuarially required allocation is .76 percent. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$44,120, \$40,853, and \$34,982, respectively, 100 percent has been contributed for fiscal year 2011, 2010, and 2009.

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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 – POSTEMPLOYMENT BENEFITS (Continued)

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, 2011, the health care allocation is 1.43 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 2011, 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, 2011, 2010, and 2009 were \$176,840, \$98,218, and \$265,564, respectively, 100 percent has been contributed for fiscal year 2011, 2010 and 2009.

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.

(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.

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 2011, 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, 2011, 2010, and 2009 were \$170,173, \$171,106, and \$163,157, respectively; 100 percent has been contributed for fiscal year 2011, 2010, and 2009.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 – 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	\$68,327,078
Equipment Breakdown	Included

Auto Coverage (per accident or “loss”)

Liability	\$1,000,000
-----------	-------------

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, 2011

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

The District is a participant in the Licking Area Computer Association (LACA). LACA is an association which services fourteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The District's total payments to LACA for fiscal year 2011 were \$222,997. Financial statements for LACA can be obtained from their fiscal agent, the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.

B. Metropolitan Educational Council

The District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's total payments to MEC for fiscal year 2011 were \$1,574. 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 2011.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 – 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 2011, the Board consisted of twenty-one members. In fiscal year 2011, the District made payments of \$1,564 to the Council.

NOTE 17 – 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 18 – RELATED PARTY TRANSACTIONS

The District appoints three of the five Board members of its discretely presented component unit, the Southwest Licking Digital Academy (SLDA). Per the District's contract with SLDA, SLDA pays the District, from funding provided by the Ohio Department of Education pursuant to Ohio Rev. Code Section 3314.08, \$150 per student per fiscal year. In addition, the District provided special education and related services required by an IEP, as well as administrative and fiscal services, to SLDA. For services provided in fiscal year 2011, the District received \$90,405 from SLDA.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 19 – SET ASIDES

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

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

	Textbooks	Capital Acquisition
Set-aside cash balance		
as of June 30, 2010	\$ -	\$ -
Current fiscal year set-aside requirement	578,140	578,140
Current Year Qualifying Expenditures	(357,471)	-
Excess Qualifying Expenditures from Prior Years	(85,352)	-
Current Year Offsets	-	(578,140)
Total	<u>\$ 135,317</u>	<u>\$ -</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance at June 30, 2011	<u>\$ 135,317</u>	<u>\$ -</u>

Current year offsets reduced capital acquisition reserve to zero. The District had prior year and current year qualifying expenditures that did not reduce the current year requirement to zero for textbooks and instructional materials reserve. However, a fund balance restriction will not be recorded on the financial statements due to House Bill 30 repealing the ORC requirement for textbooks and instructional materials reserve as of the beginning of fiscal year 2012.

NOTE 20 – 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.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 20 – COMPONENT UNIT DISCLOSURES (Continued)

The Academy was formally created on January 9, 2003, by entering a five year contract with the Southwest Licking Local School District (the Sponsor) for fiscal years 2003 through 2007. Then on June 21, 2007, the Academy entered into a new five year contract for fiscal years 2008 through 2012. 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 20 (e) for additional information regarding the sponsorship agreement with the Sponsor.

The Academy purchased the services of Tri-Rivers Educational Computer Association (TRECA) to provide instructional, administrative and technical services during the fiscal year. See Note 20 (f) for information regarding the contract between the Academy and TRECA.

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.

(b) Summary of Significant Accounting Policies

As discussed further below, these financial statements are presented on a modified 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. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Academy has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. Following are the more significant of the Academy's accounting policies.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 20 – COMPONENT UNIT DISCLOSURES (Continued)

Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets; and a statement of receipts, disbursements, and changes in net assets. 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 assets, 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 assets, 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.

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, 2011.

Prepaid Items

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

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 20 – COMPONENT UNIT DISCLOSURES (Continued)

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 Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy had no restricted net assets for the year ended June 30, 2011.

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

Operating Revenues and Expenses

Operating 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.

(c) Change in Basis of Accounting and Restatement of Net Assets

Change in Basis of Accounting

For fiscal year 2011, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described above.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 20 – COMPONENT UNIT DISCLOSURES (Continued)

Restatement of Net Assets

The implementation of this change had the following effects on net assets of the Academy as they were previously reported.

	Net Assets
Net Assets June 30, 2010	\$ 1,828
Eliminate Capital Assets	(2,550)
Eliminate Payables	18,034
Adjusted Net Assets June 30, 2010	\$ 17,312

(d) 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 assets/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.

(e) Deposits and Investments

Deposits

At fiscal year-end the carrying amount of the Academy’s deposits was negative \$72,323, exclusive of the \$92,323 repurchase agreement included in investments below, 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, 2011, the Academy’s only investment was a repurchase agreement in the amount of \$92,323, 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 AAA.

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 20 – COMPONENT UNIT DISCLOSURES (Continued)

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 market 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, 2011, the only investment held by the Academy was a repurchase agreement.

(f) 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 in excess of \$3,000,000
Employee Benefits Liability - \$2,000,000 in excess of \$3,000,000
Errors and Omissions Injury - \$2,000,000 in excess of \$2,000,000

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.

(g) Fiscal Agent and Payment to Sponsor

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

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

During the year ended June 30, 2011, the Academy paid the Sponsor \$90,405 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, 2011

NOTE 20 – COMPONENT UNIT DISCLOSURES (Continued)

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

The Academy entered into a one year contract with the Tri-Rivers Educational Computer Association (TRECA) on June 16, 2010 for the period July 1, 2010 through June 30, 2011. Under the contract, the following terms were agreed upon:

- TRECA shall provide the Academy with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- The Academy shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the Academy.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- The Academy shall pay to TRECA \$3,900 per full-time student enrolled in the Academy during the 2010-2011 academic year or pro rated per portion thereof; part-time students may be enrolled on such terms as are agreed to by the parties.

During the year ended June 30, 2011, the Academy paid TRECA \$100,954 for these services. For fiscal year 2012, the Academy entered into a one year contract with Virtual Community School of Ohio. To obtain TRECA's audited June 30, 2011 financial statements, contact Scott Armstrong, Treasurer, at scott@treca.org or call 740-389-4798.

(i) Contingencies

Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability for the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

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, 2011

NOTE 20 – COMPONENT UNIT DISCLOSURES (Continued)

Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which foundation funding is calculated. The fiscal year 2011 review has not been completed; however, the Academy does not expect any material adjustments in fiscal year 2012.

NOTE 21 – CONTINGENCIES

- (a) **Grants** - The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District.
- (b) **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 22 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the District has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and GASB Statement No. 59 “Financial Statements Omnibus”.

GASB Statement No. 54 establishes new categories for reporting fund balance and revises the definitions for governmental fund types. The implementation of GASB Statement No. 54 had a significant effect on the financial statements of the District.

GASB Statement No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

SUPPLEMENTARY DATA

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
<i>Child Nutrition Grant Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 90,320	\$ 90,320
(D)(E) National School Lunch Program - Food Donation	10.555	2011	77,426	77,426
(C)(D) National School Lunch Program	10.555	2011	446,277	446,277
Total National School Lunch Program			523,703	523,703
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			614,023	614,023
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
<i>Title I Grant Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2010	29,435	40,523
(F) Title I Grants to Local Educational Agencies	84.010	2011	285,786	241,522
Total Title I Grants to Local Educational Agencies			315,221	282,045
(F)(H) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	(5,520)	-
(F)(H) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	92,948	83,078
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			87,428	83,078
<i>Total Title I Grant Cluster</i>			402,649	365,123
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2010	95,390	103,434
(G) Special Education_Grants to States	84.027	2011	517,499	464,160
Total Special Education _Grants to States			612,889	567,594
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	5,468	52,985
(G) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	367,746	335,449
Total ARRA - Special Education Grants to States, Recovery Act			373,214	388,434
<i>Total Special Education Grant Cluster</i>			986,103	956,028
Safe and Drug-Free Schools and Communities_State Grants	84.186	2011	8,689	8,103
(H) Education Technology State Grants	84.318	2010	(927)	-
(H) Education Technology State Grants	84.318	2011	927	250
Total Educational Technology State Grants			-	250
Improving Teacher Quality State Grants	84.367	2010	5,548	7,879
Improving Teacher Quality State Grants	84.367	2011	84,426	76,935
Total Improving Teacher Quality State Grants			89,974	84,814
ARRA - Education for Homeless Children and Youth	84.387	2011	19,853	17,734
ARRA - State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394	2011	896,390	896,390
Total U.S. Department of Education			2,403,658	2,328,442
Total Federal Financial Assistance			\$ 3,017,681	\$ 2,942,465

-continued

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Education Technology State Grants	84.318	2010	\$ 927	
Education Technology State Grants	84.318	2011		\$ 927
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	5,520	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011		5,520
Totals			<u>\$ 6,447</u>	<u>\$ 6,447</u>

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



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Accountants' 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 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, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Southwest Licking Local School District's basic financial statements and have issued our report thereon dated October 28, 2011, which emphasized the Southwest Licking Local School District changed its reporting format to the cash basis, which is an other comprehensive basis of accounting not in accordance with accounting principles generally accepted in the United State of America. We also noted that the Southwest Licking Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the Southwest Licking Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Southwest Licking Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Southwest Licking Local School 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, providing an opinion 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 and responses as item 2011-SLLSD-001.

We did note a certain matter not requiring inclusion in this report that we reported to the Southwest Licking Local School District's management in a separate letter dated October 28, 2011.

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

We intend this report solely for the information and use of management, the Board of Education of the Southwest Licking Local School District, federal awarding agencies and pass-through entities, and others within the Southwest Licking Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
October 28, 2011



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Southwest Licking Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Southwest Licking Local School District's major federal programs. The Southwest Licking Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Southwest Licking Local School District's compliance based on our audit.

The Southwest Licking Local School District's basic financial statements include the operations of the Southwest Licking Digital Academy, which received \$37,026 and expended \$34,338 in federal awards which is not included in the Southwest Licking Local School District's Schedule of Receipts and Expenditures of Federal Awards for the fiscal year ended June 30, 2011. Our audit of Federal awards, described below, did not include the operations of the Southwest Licking Digital Academy. This component unit expended less than \$500,000 for the fiscal year ended June 30, 2011 and thus was not required to have an audit of its federal awards in accordance with *OMB Circular A-133*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Southwest Licking Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Southwest Licking Local School District's compliance with those requirements.

In our opinion, the Southwest Licking Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Board of Education
Southwest Licking Local School District

Internal Control Over Compliance

The Southwest Licking Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Southwest Licking Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Southwest Licking Local School District's internal control over compliance.

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 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 compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the Board of Education of the Southwest Licking Local School District, federal awarding agencies and pass-through entities, and others within the Southwest Licking Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
October 28, 2011

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies (CFDA #84.010) and ARRA-Title I Grants to Local Educational Agencies, Recovery Act (CFDA #84.389); Special Education Grant Cluster: Special Education Grants to States (CFDA #84.027) and ARRA-Special Education Grants to States, Recovery Act (CFDA #84.391), ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act (CFDA #84.394)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

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

Finding Number	2011-SLLSD-001
----------------	----------------

Noncompliance

Ohio Revised Code Section 117.38 provides 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 to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The decision to prepare cash basis financial statements is a decision the District Board of Education believes to be in the best interests of the organization. The Board evaluates the cost-benefit relationship of preparing GAAP statements and for the year ended June 30, 2011, the Board made the decision that the significant dollars saved, outweighed the benefit received.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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 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 December 13, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
October 28, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 12, 2012**