



Dave Yost • Auditor of State



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District, Licking County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Other Matters**

*Supplemental and Other Information*

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

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

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 4, 2015

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## SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (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, 2014, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

#### Financial Highlights

- Net position of governmental activities increased approximately \$1.5 million, or 19.0 percent, in comparison with the prior year. The fund most affected by the increase in cash and investments was the General Fund, which increased approximately \$2.7 million during the fiscal year.
- The District's general receipts are primarily property taxes, income taxes, and intergovernmental aid. These receipts represent respectively 38.1%, 10.8%, and 33.4% of the total cash received for governmental activities during the year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$5.9 million, or 18.3 percent of total General Fund disbursements.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

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

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

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

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

*Governmental Funds*

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

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

*Fiduciary Funds*

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

**Notes to the Basic Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

An analysis of fiscal year 2014 in comparison with fiscal year 2013 follows for the Statement of Net Position – Cash Basis:

	2014	2013	Change
Cash	\$ 9,650,122	\$ 8,110,468	18.98%
Total Assets	<u>9,650,122</u>	<u>8,110,468</u>	18.98%
Restricted for:			
Debt Service	1,551,602	2,001,313	-22.47%
Permanent Improvements	1,137,466	2,023,034	-43.77%
Unexpended Grants	267,595	180,642	48.14%
Food Service	415,421	410,416	1.22%
Extracurricular Activities	81,702	94,572	-13.61%
Other Purposes	5,992	5,992	0.00%
Unrestricted	<u>6,190,344</u>	<u>3,394,499</u>	82.36%
Total Net Position	<u>\$ 9,650,122</u>	<u>\$ 8,110,468</u>	18.98%

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Government-wide Financial Analysis (continued)**

As mentioned previously, net position of governmental activities increased approximately \$1.5 million, or 19.0 percent, in comparison with the prior year.

A significant portion of the District's net position (35.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6.2 million) may be used to meet the District's ongoing obligations to citizens and creditors.

An analysis of fiscal year 2014 in comparison with fiscal year 2013 follows for the Statement of Activities – Cash Basis:

	<u>2014</u>	<u>2013</u>
<b>Program Receipts</b>		
Charges for Services	\$ 1,827,189	\$ 1,838,291
Operating Grants	2,556,922	2,274,407
<b>General Receipts</b>		
Property Taxes	17,002,443	16,933,273
Income Taxes	4,801,339	4,605,500
Grants and Entitlements	14,919,331	13,717,307
Sale of Bonds/Notes	3,093,298	143,967
Payments in Lieu of Taxes	126,250	202,529
Investment Earnings	10,387	24,938
Miscellaneous	321,798	130,435
Total Receipts	<u>44,658,957</u>	<u>39,870,647</u>
<b>Program Disbursements</b>		
Instructional	21,526,411	22,369,557
Support Services	12,399,135	12,127,954
Non-instructional	1,508,066	1,517,835
Extra Curricular Activites	886,799	834,723
Capital Outlay	893,345	2,318,275
Principal Payments	5,177,544	2,162,877
Interest and Fiscal Charges	728,003	722,647
Total Disbursements	<u>43,119,303</u>	<u>42,053,868</u>
Change in Net Position	<u>1,539,654</u>	<u>(2,183,221)</u>
Net Position at Beginning of Year	<u>8,110,468</u>	<u>10,293,689</u>
Net Position at End of Year	<u>\$ 9,650,122</u>	<u>\$ 8,110,468</u>

Total receipts increased significantly in comparison with the prior fiscal year. This increase is primarily the result of the District issuing refunding bonds during the fiscal year, which generated approximately \$3.1 million in proceeds.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Government-wide Financial Analysis (continued)**

General receipts represent 90.2 percent of the District’s total receipts, and of this amount, 54.1 percent are local taxes. State and federal grants and entitlements make up 37.0 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 49.9 and 28.8 percent of all governmental disbursements, respectively.

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 2014.

	<b>Fiscal Year 2014</b>		<b>Fiscal Year 2013</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Program expenses				
Instructional	\$ 21,526,411	\$ 19,680,315	\$ 22,369,557	\$ 20,995,853
Support services	12,399,135	11,845,566	12,127,954	11,394,252
Non-instructional	1,508,066	35,731	1,517,835	(40,719)
Extra Curricular Activities	886,799	374,688	834,723	387,985
Capital Outlay	893,345	893,345	2,318,275	2,318,275
Debt Service	5,905,547	5,905,547	2,885,524	2,885,524
<b>Total</b>	<b>\$ 43,119,303</b>	<b>\$ 38,735,192</b>	<b>\$ 42,053,868</b>	<b>\$ 37,941,170</b>

**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 \$9.7 million, an increase of approximately \$1.5 million in comparison with the prior fiscal year.

Of this amount, approximately \$5.8 million is available for spending at the District’s discretion. The remainder of fund balance is restricted (\$3.5 million), nonspendable (\$5,618), committed (\$11,000) or assigned (\$330,925).

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

***Governmental Funds (continued)***

An analysis of fiscal year 2014 in comparison with fiscal year 2013 follows:

<u>Fund:</u>	<u>As of June 30, 2014</u>	<u>As of June 30, 2013</u>	<u>Change</u>
General Fund	\$ 6,223,246	\$ 3,532,138	76.19%
Permanent Improvement Fund	1,137,466	2,023,034	-43.77%
Debt Service Fund	1,551,602	2,001,313	-22.47%
Other Governmental Funds	<u>737,808</u>	<u>553,983</u>	33.18%
Total Fund Balance	<u>\$ 9,650,122</u>	<u>\$ 8,110,468</u>	18.98%

Total governmental funds had total receipts of \$44.7 million and total disbursements of \$43.1 million. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased approximately \$2.7 million as a result of the District receiving an additional \$1.2 in intergovernmental mainly due to the new foundation funding formula. The Permanent Improvement Fund, however, decreased by \$885,569 due to increased capital expenditures to buy new buses, textbooks, and computers and school building roof repairs.

General Fund receipts were greater than disbursements by \$2.6 million indicating that the General Fund is not in a deficit spending situation.

**General Fund Budget Information**

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

Final estimated resources were the same as original estimated resources while original appropriations exceeded final appropriations by \$4,200. Actual revenues and other financing sources exceeded the final revenues and other financing sources estimate by \$882,698. Final appropriations exceeded actual expenditures and other financing uses by \$276,563, or less than one percent

**Capital Assets**

The District is not required to disclose capital assets on the cash basis of accounting but has elected to do so in the note disclosures. At the end of the fiscal year, the District had approximately \$27.9 million (net of accumulated depreciation) invested in capital assets, an increase of \$8,810 in comparison with the prior fiscal year. This increase represents the amount of current year additions of approximately \$1.1 million exceeding current year depreciation expense of approximately \$1.1 million. Detailed information regarding capital asset activity can be found in the Note 9 to the basic financial statements.

## **SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (UNAUDITED)**

#### **Debt**

At the end of the fiscal year, the District had total debt outstanding of approximately \$18.2 million, a decrease of approximately \$2.1 million from fiscal year 2013. For the most part, this decrease represents principal payments of approximately \$5.2 million, offset by current year additions of \$3.2 million, including new refunding bonds and accretion.

Detailed information regarding long-term obligations can be found in Note 10 to the basic financial statements. Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2014, the District's general obligation debt was below the legal limit.

#### **Contacting the District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, 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](mailto:rdjones@laca.org).

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF NET POSITION - CASH BASIS  
AS OF JUNE 30, 2014

	Primary Government Governmental Activities	Component Unit Southwest Licking Digital Academy
<b>Assets</b>		
Cash and Cash Equivalents	\$ 9,640,298	\$ 25,908
Cash in a Segregated Account	4,206	-
Restricted Cash and Cash Equivalents	5,618	-
Total Assets	9,650,122	25,908
<b>Net Position</b>		
Restricted for:		
Debt Service	1,551,602	-
Permanent Improvements	1,137,466	-
State and Federal Grants	267,595	-
Food Services	415,421	-
Extracurricular Activities	81,702	-
Other Purposes	5,992	-
Unrestricted	6,190,344	25,908
Total Net Position	\$ 9,650,122	\$ 25,908

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, 2014

	Program Cash Receipts			Net (Disbursements) and Changes in Net Position	
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Southwest Licking Digital Academy
Governmental Activities					
Instruction					
Regular Instruction	\$ 14,068,551	\$ 261,959	\$ 37,920	\$ (13,768,672)	\$ -
Special Instruction	5,648,060	85,938	1,343,355	(4,218,767)	-
Vocational Instruction	6,949	131	-	(6,818)	-
Other Instruction	1,802,851	31,904	84,889	(1,686,058)	-
Support Services					
Pupils	1,850,412	33,566	76,326	(1,740,520)	-
Instructional Staff	1,157,138	14,312	149,971	(992,855)	-
Board of Education	94,546	1,789	-	(92,757)	-
Administration	2,728,087	145,521	3,709	(2,578,857)	-
Fiscal Services	893,975	16,017	931	(877,027)	-
Business Operations	55,499	1,018	-	(54,481)	-
Operation and Maintenance of Plant	2,752,693	47,581	-	(2,705,112)	-
Pupil Transportation	2,537,237	44,788	3,165	(2,489,284)	-
Central	329,548	5,875	9,000	(314,673)	-
Non-instructional	1,508,066	656,795	815,540	(35,731)	-
Extra Curricular Activities	886,799	479,995	32,116	(374,688)	-
Capital Outlay	893,345	-	-	(893,345)	-
Principal Payments	5,177,544	-	-	(5,177,544)	-
Interest and Fiscal Charges	659,093	-	-	(659,093)	-
Bond Issuance Costs	68,910	-	-	(68,910)	-
Total Governmental Activities	<u>\$ 43,119,303</u>	<u>\$ 1,827,189</u>	<u>\$ 2,556,922</u>	<u>(38,735,192)</u>	<u>-</u>
Component Unit	212,695	-	-	-	(212,695)
Southwest Licking Digital Academy	<u>\$ 212,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (212,695)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes				14,173,316	-
Debt Service				1,446,215	-
Capital Projects				1,382,912	-
Income Taxes				4,801,339	-
Grants & Entitlements not Restricted				14,919,331	203,786
Premium on Sale of Bonds/Notes				138,301	-
Sale of Bonds/Notes				2,954,997	-
Payment in Lieu of Taxes				126,250	-
Investment Earnings				10,387	95
Miscellaneous				321,798	-
Total General Receipts				<u>40,274,846</u>	<u>203,881</u>
Change in Net Position				<u>1,539,654</u>	<u>(8,814)</u>
Net Position Beginning of Year				<u>8,110,468</u>	<u>34,722</u>
Net Position End of Year				<u>\$ 9,650,122</u>	<u>\$ 25,908</u>

See accompanying notes to the basic financial statements.



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**BALANCE SHEET - CASH BASIS  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2014**

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 6,217,628	\$ 1,137,466	\$ 1,551,602	\$ 733,602	\$ 9,640,298
Cash in a Segregated Account	-	-	-	4,206	4,206
Restricted Cash and Cash Equivalents	5,618	-	-	-	5,618
<b>Total Assets</b>	<b>\$ 6,223,246</b>	<b>\$ 1,137,466</b>	<b>\$ 1,551,602</b>	<b>\$ 737,808</b>	<b>\$ 9,650,122</b>
<b>Fund Balances:</b>					
Nonspendable:					
Unclaimed Monies	\$ 5,618	\$ -	\$ -	\$ -	\$ 5,618
Restricted for:					
Debt Service	-	-	1,551,602	-	1,551,602
Permanent Improvements	-	1,137,466	-	-	1,137,466
State and Federal Grants	-	-	-	267,595	267,595
Food Services	-	-	-	415,421	415,421
Extracurricular Activities	-	-	-	81,702	81,702
Other Purposes	233	-	-	-	233
Committed for:					
Underground Storage	11,000	-	-	-	11,000
Assigned for:					
School Support	103,208	-	-	-	103,208
Instruction	72,757	-	-	-	72,757
Support Services	154,960	-	-	-	154,960
Unassigned	5,875,470	-	-	(26,910)	5,848,560
<b>Total Fund Balances</b>	<b>6,223,246</b>	<b>1,137,466</b>	<b>1,551,602</b>	<b>737,808</b>	<b>9,650,122</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,223,246</b>	<b>\$ 1,137,466</b>	<b>\$ 1,551,602</b>	<b>\$ 737,808</b>	<b>\$ 9,650,122</b>

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, 2014

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Property Taxes	\$ 14,173,316	\$ 1,382,912	\$ 1,446,215	\$ -	\$ 17,002,443
Income Taxes	4,801,339	-	-	-	4,801,339
Payments in Lieu of Taxes	126,250	-	-	-	126,250
Intergovernmental	14,515,699	215,108	188,524	2,524,806	17,444,137
Charges for Services	93,965	-	-	647,253	741,218
Interest	8,456	1,415	-	516	10,387
Tuition and Fees	596,434	-	-	-	596,434
Extracurricular Activities	194,355	-	-	251,425	445,780
Other	259,701	32,392	-	14,373	306,466
<b>Total Receipts</b>	<b>34,769,515</b>	<b>1,631,827</b>	<b>1,634,739</b>	<b>3,438,373</b>	<b>41,474,454</b>
<b>Disbursements:</b>					
Instruction:					
Regular	13,844,378	172,914	-	51,259	14,068,551
Special	4,541,769	-	-	1,106,291	5,648,060
Vocational	6,949	-	-	-	6,949
Other	1,686,138	33,139	-	83,574	1,802,851
Support services:					
Pupils	1,773,949	-	-	76,463	1,850,412
Instructional Staff	756,322	249,329	-	151,487	1,157,138
Board of Education	94,546	-	-	-	94,546
Administration	2,724,678	-	-	3,409	2,728,087
Fiscal Services	846,507	25,000	21,689	779	893,975
Business Operations	53,789	1,710	-	-	55,499
Operation and Maintenance of Plant	2,514,613	238,080	-	-	2,752,693
Pupil Transportation	2,367,040	167,625	-	2,572	2,537,237
Central	310,492	10,056	-	9,000	329,548
Non-instructional Services	4,382	-	-	1,503,684	1,508,066
Extracurricular Activities	609,167	-	-	277,632	886,799
Capital Outlay	-	893,345	-	-	893,345
Debt service:					
Principal Retirement	-	-	5,177,544	-	5,177,544
Interest and Fiscal Charges	-	-	659,093	-	659,093
Bond Issuance Costs	-	-	68,910	-	68,910
<b>Total Disbursements</b>	<b>32,134,719</b>	<b>1,791,198</b>	<b>5,927,236</b>	<b>3,266,150</b>	<b>43,119,303</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	2,634,796	(159,371)	(4,292,497)	172,223	(1,644,849)
<b>Other Financing Sources (Uses):</b>					
Donations	23,289	-	-	8,827	32,116
Proceeds from Sale of Assets	4,711	-	-	-	4,711
Insurance Proceeds	28,312	23,291	-	2,775	54,378
Premium on Bonds/Notes	-	-	138,301	-	138,301
Proceeds from the Sale of Bonds/Notes	-	-	2,954,997	-	2,954,997
Transfers In	-	-	749,488	-	749,488
Transfers Out	-	(749,488)	-	-	(749,488)
<b>Total Other Financing Sources (Uses)</b>	<b>56,312</b>	<b>(726,197)</b>	<b>3,842,786</b>	<b>11,602</b>	<b>3,184,503</b>
<b>Net Change in Fund Balances</b>	<b>2,691,108</b>	<b>(885,568)</b>	<b>(449,711)</b>	<b>183,825</b>	<b>1,539,654</b>
Fund Balance Beginning of Year	3,532,138	2,023,034	2,001,313	553,983	8,110,468
<b>Fund Balance End of Year</b>	<b>\$ 6,223,246</b>	<b>\$ 1,137,466</b>	<b>\$ 1,551,602</b>	<b>\$ 737,808</b>	<b>\$ 9,650,122</b>

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, 2014

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
Property Taxes	\$ 13,914,972	\$ 13,914,972	\$ 14,173,316	\$ 258,344
Income Taxes	4,732,296	4,732,296	4,801,339	69,043
Payments in Lieu of Taxes	116,368	116,368	126,250	9,882
Intergovernmental	14,068,366	14,068,366	14,515,699	447,333
Charges for Services	89,250	89,250	93,965	4,715
Earnings on Investments	13,000	13,000	8,351	(4,649)
Tuition & Fees	516,264	516,264	596,434	80,170
Extracurricular Activities	166,139	166,139	168,457	2,318
Miscellaneous	165,211	165,211	231,207	65,996
Total Receipts	<u>33,781,866</u>	<u>33,781,866</u>	<u>34,715,018</u>	<u>933,152</u>
Disbursements:				
Instruction:				
Regular	14,264,213	13,965,706	13,917,135	48,571
Special	4,402,888	4,585,216	4,541,769	43,447
Vocational	1,728	7,949	6,949	1,000
Other	1,650,294	1,693,373	1,686,138	7,235
Support Services:				
Pupils	1,901,776	1,805,964	1,781,092	24,872
Instructional Staff	768,328	813,447	803,659	9,788
Board of Education	55,968	94,692	94,546	146
Administration	2,879,551	2,823,252	2,768,670	54,582
Fiscal	856,032	856,032	846,806	9,226
Business	86,054	85,144	53,851	31,293
Operation and Maintenance of Plant	2,490,841	2,580,481	2,570,570	9,911
Pupil Transportation	2,337,814	2,381,864	2,366,912	14,952
Central	265,055	310,505	310,492	13
NonInstructional Services	2,000	6,100	4,382	1,718
Extracurricular Activities	533,609	527,914	508,105	19,809
Total Disbursements	<u>32,496,151</u>	<u>32,537,639</u>	<u>32,261,076</u>	<u>276,563</u>
Excess of Receipts Over Disbursements	<u>1,285,715</u>	<u>1,244,227</u>	<u>2,453,942</u>	<u>1,209,715</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	12,789	12,789	4,711	(8,078)
Insurance Proceeds	-	-	28,312	28,312
Transfers -In	425,000	425,000	354,312	(70,688)
Transfers -Out	(400,000)	(354,312)	(354,312)	-
Total Other Financing Sources (Uses)	<u>37,789</u>	<u>83,477</u>	<u>33,023</u>	<u>(50,454)</u>
Net Change in Fund Balance	1,323,504	1,327,704	2,486,965	1,159,261
Fund Balances at Beginning of Year	3,076,286	3,076,286	3,076,286	-
Prior Year Encumbrances Appropriated	318,070	318,070	318,070	-
Fund Balances at End of Year	<u>\$ 4,717,860</u>	<u>\$ 4,722,060</u>	<u>\$ 5,881,321</u>	<u>\$ 1,159,261</u>

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2014

	Agency <u>Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 22,237
Total Assets	<u>\$ 22,237</u>
<b>Liabilities</b>	
Held for Student Liabilities	\$ 22,237
Total Liabilities	<u>\$ 22,237</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, 2014**

**NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY**

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

The District was established in 1953 through the consolidation of existing land areas and school districts. The District serves an area of approximately 65 square miles. It is located in Licking County, and includes the City of Pataskala, the Village of Kirkersville, and portions of Etna, Harrison, St. Albans, and Union Townships in Licking County and Liberty Township in Fairfield County. The District is staffed by 145 non-certificated personnel and 244 certificated full-time personnel who provide services to 3,943 students and other community members. The District currently operates six instructional buildings, one administrative building, and one support service building.

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

The following activities are included within the reporting entity:

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

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

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 – DESCRIPTION OF THE REPORTING ENTITY (Continued)**

**Southwest Licking Digital Academy** In March of 2003, the District’s Board of Education, by resolution, created the Academy pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Academy’s mission is to enhance and facilitate student learning by providing state of the art digital curriculum and instruction; innovative, collaborative leadership; and technical expertise and support that will prepare students to become lifelong learners and intelligent decision makers. The students may include, but will not be limited to, home schooled children, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students within the District (the Academy’s sponsor school district) that desire a specific course not currently offered that is available through online instruction. The Academy operates under the direction of a five-member Board of Directors made up of members from the public who are appointed by the District. A majority of the members shall be elected or appointed public officials or public employees, or shall be community leaders who have demonstrated a professional interest in education or in other issues involving children. The remaining members shall be persons who are parents of students who are expected to attend the Academy. The Academy’s Board may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. The Academy is a component unit of the District. The District appoints a majority of the Board of Directors and is able to impose its will on the Academy. The District can suspend the Academy’s operations for any of the following reasons: 1) failure to meet student performance requirements stated in its contract with the District, 2) failure to meet generally accepted standards of fiscal management, 3) violation of any provisions of the contract with the District or applicable state or federal law, or 4) other good cause. Separately issued financial statements can be obtained from the Southwest Licking Digital Academy, 927-A South Street, Pataskala, Ohio 43062.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of Presentation**

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(a) Basis of Presentation (Continued)**

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**(b) Fund Accounting**

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

Governmental Funds

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Fund Accounting (Continued)**

Governmental Funds (Continued)

*General Fund* — The General Fund is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

*Other Governmental Funds* of the District account for specific revenue sources that are restricted 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 funds are agency funds which account for student activities and OHSAA activities.

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

**(c) Basis of Accounting**

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

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



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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, certificates of deposit, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported cost.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Cash and Investments (Continued)**

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on June 30, 2014.

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 \$2,813 was assigned from other District funds.

**(f) Restricted Assets**

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

**(g) Inventory and Prepaid Items**

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

**(h) Capital Assets and Depreciation**

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

Useful lives for capital assets are as follows:

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Accumulated Leave**

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

**(j) Employer Contributions to Cost-Sharing Pension Plans**

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

**(k) Long-Term Obligations**

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

**(l) Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily include resources restricted for unclaimed funds.

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

**(m) Fund Balances**

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

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

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) Fund Balances (Continued)**

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

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

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

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

**(n) Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. Interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the basic financial statements. Interfund activity between governmental funds is eliminated on the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**Compliance**

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

**Deficit Fund Cash Balances**

Fund cash balances at June 30, 2014 included the following individual fund deficits:

Nonmajor governmental funds	Deficit
Race to the Top	\$ 26,910

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

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

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

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

	General Fund
Change in Fund Balance - Cash Basis	\$ 2,691,108
Public School Support Fund	23,574
Encumbrances	(227,717)
Change in Fund Balance- Budgetary Basis	\$ 2,486,965

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

**Deposits**

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

At fiscal year-end, the carrying amount of the District's deposits was \$1,467,463 and the bank balance was \$2,534,654. Of the District's bank balance, \$2,500,000 was covered by Federal Deposit Insurance Corporation (FDIC) and the remaining balance was exposed to custodial risk. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

**Investments**

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

Investment Type	Cost Value	Percent of Total	Investment Maturities Within 1 Year
STAR Ohio	\$ 5,856,594	71.38%	\$ 5,856,594
Repurchase Agreement	2,348,302	28.62%	2,348,302
Total	<u>\$ 8,204,896</u>	<u>100%</u>	<u>\$ 8,204,896</u>

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

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

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

**Concentration of Credit Risk** - The District places no limit on the amount it may invest in any one issuer except for commercial paper. The Treasurer may not invest an amount that exceeds 10 percent of the outstanding commercial paper of the issuing entity. The District's investments in the categories of STAR Ohio and Repurchase Agreement exceeded 5 percent of the District's total investments.



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**NOTE 6 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenues received in calendar year 2014 represent collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values listed as of January 1, 2013, 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 2014 represent collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<u>2013 Second Half Collections</u>		<u>2014 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 477,176,920	84.97%	\$ 484,141,380	84.18%
Commercial/Industrial and Public Utility Real	67,621,180	12.04%	73,438,680	12.77%
Public Utility Personal	16,765,790	2.99%	17,557,990	3.05%
Total	<u>\$ 561,563,890</u>	<u>100.00%</u>	<u>\$ 575,138,050</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 38.37		\$ 38.10	

**NOTE 7 – INCOME TAXES**

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

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**NOTE 8 – TRANSFERS**

The District makes all debt service payments from the Debt Service Fund. The Permanent Improvement Fund subsequently reimburses the Debt Service Fund for payments made on the permanent improvement tax anticipation note. During fiscal year 2014, the Permanent Improvement Fund reimbursed the Debt Service Fund \$749,488.

**NOTE 9 – CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Nondepreciable Capital Assets</b>				
Land	\$ 3,962,164	\$ -	\$ -	\$ 3,962,164
Construction in Progress	1,513,910	535,847	(12,500)	2,037,257
<b>Total Nondepreciable Assets</b>	<b>5,476,074</b>	<b>535,847</b>	<b>(12,500)</b>	<b>5,999,421</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	1,303,294	170,965	-	1,474,259
Buildings	32,004,224	166,681	-	32,170,905
Furniture and Equipment	4,559,431	72,344	(6,724)	4,625,051
Vehicles	3,186,122	163,736	(89,800)	3,260,058
<b>Total Depreciable Assets</b>	<b>41,053,071</b>	<b>573,726</b>	<b>(96,524)</b>	<b>41,530,273</b>
<b>Less accumulated depreciation</b>				
Land Improvements	(669,049)	(61,498)	-	(730,547)
Buildings	(11,585,205)	(690,788)	-	(12,275,993)
Furniture and Equipment	(3,892,244)	(133,374)	6,724	(4,018,894)
Vehicles	(2,437,300)	(202,603)	89,800	(2,550,103)
<b>Total accumulated depreciation</b>	<b>(18,583,798)</b>	<b>(1,088,263)</b>	<b>96,524</b>	<b>(19,575,537)</b>
<b>Depreciable Capital Assets, Net of accumulated depreciation</b>	<b>22,469,273</b>	<b>(514,537)</b>	<b>-</b>	<b>21,954,736</b>
<b>Total Capital Assets, Net</b>	<b>\$ 27,945,347</b>	<b>\$ 21,310</b>	<b>\$ (12,500)</b>	<b>\$ 27,954,157</b>

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**NOTE 10 – LONG TERM OBLIGATIONS**

A summary of changes in long-term obligations for the fiscal year ended June 30, 2014 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	\$ -	\$ (490,000)	\$ 2,640,000	\$ 770,000
<u>Energy Conservation Notes</u>					
<u>Series 2003A</u>					
Current Interest Bonds (1.2-4.1%) maturing 12/1/2018	775,000	-	(775,000)	-	-
<u>Refunding Bonds Series 2003B</u>					
Current Interest Bonds (1.2-4.4%) maturing 12/1/2022	2,295,000	-	(2,295,000)	-	-
Capital Appreciation Bonds	1,483,395	102,372	(475,000)	1,110,767	279,515
<u>2005 Refunding Bonds</u>					
Current Interest Bonds (1.2-4.4%) maturing 12/1/2022	4,995,000	-	-	4,995,000	-
Capital Appreciation Bonds	1,738,647	105,065	(480,000)	1,363,712	217,670
<u>Refunding Bonds Series 2013A</u>					
Current Interest Bonds 2.0-3.0%) maturing 12/1/2022	-	2,294,999	(20,000)	2,274,999	20,000
<u>Refunding Bonds Series 2013B</u>					
Current Interest Bonds (2.0%) maturing 12/1/2018	-	659,999	(5,000)	654,999	130,000
<u>Tax Anticipation Notes</u>					
Maturing 12/1/2019 (2.0-5.0%)	2,185,000	-	(285,000)	1,900,000	295,000
<u>Tax Anticipation Notes</u>					
Maturing 12/1/2021 (2.0-3.0%)	3,195,000	-	(325,000)	2,870,000	335,000
<u>Promisory Note (3.25%)</u>	126,090	-	(27,544)	98,546	28,453
<b>Bonds and Notes Payable</b>	<b>19,923,132</b>	<b>3,162,435</b>	<b>(5,177,544)</b>	<b>17,908,023</b>	<b>2,075,638</b>
<u>Refunding Bonds Series 2003B</u>					
Current Interest Bonds Premium	4,630	-	(4,630)	-	-
Appreciation Bonds Premium	112,105	-	(43,365)	68,740	-
<u>2005 Refunding Bonds</u>					
Current Interest Bonds Premium	201,524	-	(21,211)	180,313	-
Appreciation Bonds Premium	75,335	-	(23,030)	52,305	-
<b>Total Long Term Obligations</b>	<b>\$ 20,316,726</b>	<b>\$ 3,162,435</b>	<b>\$ (5,269,780)</b>	<b>\$ 18,209,381</b>	<b>\$ 2,075,638</b>

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**NOTE 10 – LONG TERM OBLIGATIONS (Continued)**

**1999 School Improvement Bonds** - On March 15, 1999, the District issued School Facilities Construction and Improvement Bonds for \$19,120,000, with a varying interest rate of 3.1 to 5.15 percent, for the purpose of constructing, renovating, furnishing, and equipping school buildings. On March 8, 2005 the District issued refunding bonds in the amount of \$11,164,987 to advance refund a portion of the outstanding 1999 school facilities construction bonds and take advantage of lower interest rates. As a result, \$11,165,000 of the 1999 school facilities construction and improvement bonds were considered defeased and removed from the District's liability. \$11,958,166 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded portion of the 1999 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$793,166. The defeased bonds in the amount of \$11,165,000 were retired. The remaining portion of bonds have a final maturity during fiscal year 2017.

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

**Refunding Bonds, Series 2003B** - On April 1, 1995, the District issued School Improvement Bonds for \$6,638,000, with a varying interest rate of 4.3 to 5.75 percent, for the purpose of constructing, renovating, furnishing, and equipping school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2023. On December 9, 2003, the District advance refunded the 1995 bonds issuance and issued \$5,559,988 in bonds with varying interest rate of 1.2 to 4.4 percent. Of the December 9, 2003 proceeds, \$5,090,000 was serial bonds and \$469,988 was capital appreciation bonds. The bonds were sold at a premium of \$9,258 and \$602,380, respectively, with associated issuance costs of \$82,299. On December 9, 2003, \$6,075,810 was placed into an irrevocable trust to provide for all future debt service payments on the refunded 1995 school improvement bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$515,810. On December 1, 2005 the bonds were called and the refunded 1995 school improvement bonds were paid off and the escrow account was closed. As of June 30, 2014, accumulated accretion on the capital appreciation bonds is \$624,019. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund.

**2005 Refunding Bonds** - On March 8, 2005 the District issued refunding bonds in the amount of \$11,164,987 to advance refund a portion of the outstanding 1999 school facilities construction bonds and take advantage of lower interest rates. The \$11,164,987 in refunding bonds consisted of serial, term, and capital appreciation bonds in the amounts of \$3,955,000, \$4,995,000, and \$2,214,987, respectively. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund. The refunding bonds were sold at a premium in the amount of \$967,645 and bond issuance costs were \$174,466. The capital appreciation bonds of \$2,214,987 will mature at \$4,055,000 ranging from the fiscal years of 2012 to 2018. As of June 30, 2014, accumulated accretion on the capital appreciation bonds is \$411,685.

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**NOTE 10 – LONG TERM OBLIGATIONS (Continued)**

**Refunding Bonds, Series 2013A** - On October 10 2013, the District current refunded the 2003A and 2003B bonds issuance and issued \$2,294,999 in bonds with varying interest rate of 2.0-3.0 percent. The bonds were sold at a premium of \$105,544, respectively, with associated issuance costs of \$56,492. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$256,703. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund.

**Refunding Bonds, Series 2013B** - On October 10 2013, the District current refunded the 2003A and 2003B bonds issuance and issued \$659,999 in bonds with an interest rate of 2.0 percent. The bonds were sold at a premium of \$32,757, respectively, with associated issuance costs of \$19,912. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$30,738. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund.

**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. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund

In fiscal year 2012, the District issued an additional \$3,535,000 in Tax Anticipation Notes in anticipation of the collection of the proceeds of a two and eight tenths (2.80) mill permanent improvement levy approved by the electors of the District at the election held May 5, 2009. The note matures December 1, 2021 with gradually increasing principal payments. Interest is paid semiannually on June 1 and December 1 of each year, which began on June 1, 2012.

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

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

Fiscal Year	Principal	Interest	Total
2015	2,075,638	584,016	2,659,654
2016	2,135,381	548,717	2,684,098
2017	2,205,290	495,408	2,700,698
2018	2,036,716	688,468	2,725,184
2019	2,239,998	479,204	2,719,202
2020-2023	7,215,000	458,978	7,673,978
Total	<u>\$ 17,908,023</u>	<u>\$ 3,254,791</u>	<u>\$ 21,162,814</u>

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**NOTE 10 – LONG TERM OBLIGATIONS (Continued)**

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, 2014, the District's total net debt was approximately 2.85% (3.17% at June 30, 2013) 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 \$1,035,704 in accretion of deep discount debt in accordance with State Law. As of June 30, 2014, these entities have complied with the requirements that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

**NOTE 11 – DEFINED BENEFIT PENSION PLAN**

**(a) *School Employees Retirement System***

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employee Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling 800-878-5853. It is also posted on SERS' website at [www.ohsers.org](http://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 Part B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.05% and 0.05%, respectively. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health care and Medicare Part B funds. The District's contribution for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012, were \$710,207, \$757,457 and \$708,159, respectively, 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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**NOTE 11 – 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 2012 *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](http://www.strsoh.org) under Publications.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC plan allows members to allocate all their member contributions and employer contributions equal to 11.0% 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 31<sup>st</sup> 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.

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**NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)**

**(b) State Teachers Retirement System (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 11 percent for members and 14 percent for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers.



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 11 – DEFINED BENEFIT PENSION PLAN (Continued)**

**(b) State Teachers Retirement System (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,930,567, \$2,037,193, and \$2,121,555, respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

**(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, 2014 two members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

**(a) School Employees Retirement System**

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

Medicare Part B Plan – The Medicare Part 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 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

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 2014, the actuarially required allocation is .76 percent. The District's contributions for Medicare Part B for the years ended June 30, 2014, 2013 and 2012 were \$41,203, \$42,788, and \$41,820, respectively, 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

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**  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)**

**(a) School Employees Retirement System (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, 2014, the health care allocation is 0.14 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 2014, the minimum compensation level was established at \$20,250. 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, 2014, 2013, and 2012 were \$85,822, \$85,375, and \$98,312, respectively, 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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 Part 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](http://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](http://www.strsoh.org) under Publications.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, 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, 2014, 2013, and 2012 were \$148,505, \$156,707, and \$163,197, respectively; 100 percent has been contributed for fiscal years 2014, 2013, and 2012.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
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**NOTE 13 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the District purchased insurance coverage from Ohio Casualty. Their insurance agent was Bishop-Scovell Haines Insurance. Coverage provided by Ohio Casualty is as follows:

**Property Coverage**

Building and Business Personal Property - Replacement Cost	\$79,237,224
Equipment Breakdown	Included

**Auto Coverage (per accident or “loss”)**

Liability	\$1,000,000
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**General Liability Coverage**

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

**Employee Benefits Liability Coverage – Claims Made**

Each Offense Limit	\$1,000,000
Aggregate Limit	\$3,000,000

**Employer’s Liability – Stop Gap Coverage**

Bodily Injury By Accident – Each Accident	\$1,000,000
Bodily Injury By Disease	\$1,000,000
Bodily Injury By Disease – Each Employee	\$1,000,000
Aggregate Limit	\$2,000,000

**Legal Liability Coverage**

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

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Licking Area Computer Association**

The District is a participant in the Licking Area Computer Association (LACA). LACA is an association which services 30 entities within the boundaries of Licking, Perry, Fairfield, Knox, Medina, 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 2014 were \$148,386. Financial statements for LACA can be obtained from their fiscal agent, the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

**B. Metropolitan Educational Council**

The District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 266 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 59 counties in Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's total payments to MEC for fiscal year 2014 were \$1,595. 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 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 2014.

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**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**D. School Study Council of Ohio**

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. Participating school districts have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. Participating school districts may elect to be associate members, which entitles them to attend meetings and participate in Council discussions but not to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2014, the Board consisted of twenty-one members. In fiscal year 2014, the District made no payments to the Council.

**NOTE 15 – RELATED ORGANIZATION**

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

**NOTE 16 – RELATED PARTY TRANSACTIONS**

The District appoints all of the five Board members of its presented component unit, the Southwest Licking Digital Academy (SLDA). Per the District's contract with SLDA, SLDA pays the District, from funding provided by the Ohio Department of Education pursuant to Ohio Rev. Code Section 3314.08, \$1,400 per student per fiscal year. In addition, the District provides special education and related services required by an IEP, as well as administrative and fiscal services, to SLDA. For services provided in fiscal year 2014, the District received \$102,017 from SLDA.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
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**NOTE 17 – SET ASIDES**

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future years. The following cash basis information describes the change in the fiscal year-end set-aside amounts for the Capital Acquisition Reserves:

	Capital Acquisition
Set-aside cash balance as of June 30, 2013	\$ -
Current fiscal year set-aside requirement	650,678
Current Year Offsets	<u>(1,382,912)</u>
Total	<u>\$ (732,234)</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$ -</u>

Current year offsets reduced capital acquisition reserve to zero.

**NOTE 18 – COMPONENT UNIT DISCLOSURES**

**(a) Description of the School**

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

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

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)**

**(a) Description of the School (Continued)**

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

**Basis of Presentation**

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

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

**Basis of Accounting**

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)**

**(b) Summary of Significant Accounting Policies (Continued)**

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**

The Academy had no investments during the fiscal year.

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

**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, 2014.

**Prepaid Items**

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

**Inventory**

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

**Capital Assets**

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

**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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)**

**(b) Summary of Significant Accounting Policies (Continued)**

**Net Position**

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy had no restricted net position for the year ended June 30, 2014.

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

**Operating Revenues and Expenses**

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

**(c) Compliance**

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

**(d) Deposits**

**Deposits**

At fiscal year-end the carrying amount of the Academy's deposits was \$25,908, and the bank balance was \$145,921. The entire bank balance was covered by federal depository insurance.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
LICKING COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)**

**(e) Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the Academy was listed as an additional insurance organization on the District's insurance coverage from Ohio Casualty. The types and amounts of coverage provided by Ohio Casualty are as follows:

General Liability Coverage - \$2,000,000  
Employee Benefits Liability - \$3,000,000  
Errors and Omissions Injury - \$1,000,000

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

**(f) Fiscal Agent and Payment to Sponsor**

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

- The Academy was required to pay to the Sponsor \$25,000 for planning, design, and initial implementation services acquired by the Sponsor on behalf of the Academy from TRECA. This fee was paid during fiscal year 2004.
- The Academy is required to make annual payments to the Sponsor of \$1,400 per student per year.
- The Academy may also pay the Sponsor other amounts as are mutually agreed for any services provided to the Academy by the Sponsor.

During the year ended June 30, 2014, the Academy paid the Sponsor \$102,017 for the services defined above. This amount is included on the Purchased Services line on the financial statements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
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**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)**

**(g) Contract with the Virtual Community School**

The Academy entered into a one year contract with the Virtual Community School (VCS) to provide educational services for fiscal year 2014. Under the contract, the following terms were agreed upon:

- VCS will provide the Academy's full time students access to classes totaling seven (7) academic credits per school year.
- VCS will provide highly qualified teachers and/or adjunct teachers to deliver the educational services to all the Academy's full time students.
- VCS Ohio will offer the Academy's full time students with a computer, printer, and scanner.
- VCS will provide help desk support and technical support for equipment and course issues.
- VCS will provide training to the Academy's staff twice per year.
- VCS will provide marketing material and marketing support to the Academy.
- VCS will provide a microsite to the Academy. The microsite will include a personalized banner.
- The Academy shall pay to VCS \$2,650 per full-time student, which will entitle the student to classes totaling seven academic credits, computer, scanner, and printer.

During the fiscal year, the Academy paid VCS \$88,843 for these services. This amount is included on the Purchased Services line on the financial statements. To obtain Virtual Community School's audited June 30, 2014 financial statements, contact Mr. Shane Allen, Treasurer, Virtual Community School of Ohio, 4480 Refugee Road, Columbus, Ohio 43232.

**(h) Contingencies**

**Grants**

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

**Full Time Equivalency Reviews**

The Ohio Department of Education (ODE) reviews enrollment 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 state foundation funding is calculated.

As a result of the fiscal year 2014 review, the Academy owes \$2,602 to ODE. This amount is not reported in the financial statements since the Academy presents on a cash basis of accounting

**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**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 18 – COMPONENT UNIT DISCLOSURES (Continued)**

**(i) Jointly Governed Organizations**

**Licking Area Computer Association**

The Academy is a participant in the Licking Area Computer Association (LACA). LACA is an association which services 30 entities within the boundaries of Licking, Perry, Fairfield, Knox, Medina, and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the Academy’s continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association’s capital assets. The Academy’s total payments to LACA for fiscal year 2014 were \$327. Financial statements for LACA can be obtained from their fiscal agent, the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

**NOTE 19 – CONTINGENCIES**

- (a) Grants -** The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.
- (b) Litigation -** The District is not party to any litigation that, in the opinion of management, would have a material effect on the financial statements.

**NOTE 20 – ENCUMBRANCES**

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

	Encumbrances
General Fund	\$ 227,717
Permanent Improvement Fund	191,826
Other Governmental Funds	18,035
Total	\$ 437,578

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 21 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2014, the District has implemented the following:

*GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees”* enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the District.

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SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Award Year	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster				
Non-Cash Assistance (Food Donation)	2014	10.555	\$ 145,548	\$ 145,548
National School Lunch Program	2014	10.555	<u>609,237</u>	<u>609,237</u>
Total Nutrition Cluster			<u>754,785</u>	<u>754,785</u>
National School Lunch and School Breakfast Programs Expansion Grant	2013	10.560	<u>11,723</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>766,508</u>	<u>754,785</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I				
Title I Grants to Local Educational Agencies	2014	84.010	573,834	494,831
Title I Grants to Local Educational Agencies	2013	84.010	<u>95,135</u>	<u>64,718</u>
Total Title I			<u>668,969</u>	<u>559,549</u>
Special Education Grants to States	2014	84.027	694,708	623,313
Special Education Grants to States	2013	84.027	<u>152,610</u>	<u>66,300</u>
Total Special Education			<u>847,318</u>	<u>689,613</u>
ARRA Race to the Top Incentive Grants	2014	84.395	54,648	81,558
ARRA Race to the Top Incentive Grants	2013	84.395	<u>15,705</u>	<u>13,545</u>
Total Race to the Top Incentive Grants			70,353	95,103
Improving Teacher Quality State Grants	2014	84.367	94,929	92,183
Improving Teacher Quality State Grants	2013	84.367	<u>(9,592)</u>	<u>2,998</u>
Total Improving Teacher Quality State Grants			85,337	95,181
Total U.S. Department of Education			<u>1,671,977</u>	<u>1,439,446</u>
<b>Total Federal Awards</b>			<u>\$ 2,438,485</u>	<u>\$ 2,194,231</u>

The accompanying notes are an integral part of this schedule.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amount from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Improving Teacher Quality State Grant	84.367	\$9,592





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Southwest Licking Local School District, Licking County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-001.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 4, 2015



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Programs***

We have audited the Southwest Licking Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Southwest Licking Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Basis for Qualified Opinion on Special Education Grants to States and Title I Grants to Local Educational Agencies***

As described in finding 2014-002 in the accompanying schedule of findings, the District did not comply with requirements regarding Allowable Costs/Cost Principles applicable to its Special Education Grants to States and Title I Grants to Local Educational Agencies major federal programs. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

***Qualified Opinion on Special Education Grants to States and Title I Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Grants to States and Title I Grants to Local Educational Agencies* paragraph, the Southwest Licking Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Grants to States and Title I Grants to Local Educational Agencies federal programs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2014-002 to be a material weakness.

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

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 4, 2015

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**SOUTHWEST LICKING LOCAL SCHOOL  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Grants to States CFDA #84.027 Title I Grants to Local Educational Agencies CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**SOUTHWEST LICKING LOCAL SCHOOL  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(CONTINUED)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Annual Financial Report – Noncompliance**

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

**Ohio Administrative Code §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 in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures due to being prepared on the cash basis. While the differences between the cash and GAAP basis are material, they cannot be reasonably determined at this time.

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

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



**SOUTHWEST LICKING LOCAL SCHOOL  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(CONTINUED)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2014-002
<b>CFDA Title and Number</b>	Special Education Grants to States, #84.027; Title I Grants to Local Educational Agencies, #84.010
<b>Federal Award Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Time and Effort Certifications – Noncompliance / Material Weakness**

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

The District did not properly certify time spent on federal grants nor did they maintain alternative documentation to satisfy these time and effort requirements. However, alternative measures were able to be performed to determine the allowability of these expenditures:

- We noted no certifications for six full time Special Education grant employees, for whom the District should have had semi-annual certifications totaling \$272,372;
- We noted only one semi-annual certification was completed for six full time Title I grant employees, for whom the District should have had two semi-annual certifications totaling \$296,496.

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

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

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

**SOUTHWEST LICKING LOCAL SCHOOL  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Noncompliance for ORC 117.38 for not filing on GAAP basis	No	Not Corrected; re-issued as Finding 2014-001
2013-002	Noncompliance and material weakness for time and effort certifications	No	Not Corrected; re-issued as Finding 2014-002

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	None. The Southwest Licking LSD has no plans to convert to GAAP financial statements due to cost of the GAAP conversion and audit. The School District does prepare look-a-like cash basis financial statements.	N/A	Richard D. Jones, Treasurer
2014-002	The Southwest Licking LSD (School District) will put additional procedures in place to ensure the required certifications are completed. The School District did have the required certifications for Federal Title I for the second half of the year; however, the Federal Title VI-B certifications were not completed. The Treasurer will work with District Office and Building Level Administrators to complete the required certifications.	May 31, 2014	Richard D. Jones, Treasurer

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# 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  
MARCH 3, 2015**