



Dave Yost • Auditor of State

**SOUTHWEST LICKING DIGITAL ACADEMY
LICKING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Southwest Licking Digital Academy
Licking County
927-A South Street
Pataskala, OH 43062

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Southwest Licking Digital Academy, Licking County, Ohio (the Academy), a component unit of Southwest Licking Local School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy'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 Academy'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 Academy'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the Southwest Licking Digital Academy, Licking County, Ohio, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Academy 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 of the Academy's financial statements that collectively comprise its basic financial statements.

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

These tables 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 to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables 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 are fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014, on our consideration of the Academy'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 Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2014

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

The Management's Discussion and Analysis of the Southwest Licking Digital Academy (the "Academy") provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Academy's financial performance.

Financial Highlights

The total assets of the Academy were \$34,722 as of June 30, 2013. Net position of the Academy totaled \$34,722, an increase of \$19,098 from the prior year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Academy's cash basis of accounting.

Report Components

The Statement of Net Position – Cash Basis and the Statement of Receipts, Disbursements, and Changes in Net Position – Cash Basis provide information about the Academy as a whole.

The Management's Discussion and Analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy's basic financial statements are comprised of two components: the financial statements and the notes to the financial statements.

The Statement of Net Position – Cash Basis and the Statement of Receipts, Disbursements, and Changes in Net Position – Cash Basis reflect how the Academy did financially during the year ended June 30, 2013. The change in net position is important because it tells the reader whether the cash position of the Academy has increased or decreased during the period.

The notes to the financial statements are an integral part of the basic financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Academy has elected to present its financial statements using the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Academy's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Financial Analysis

Table 1 provides a summary of the Academy's net position for 2013:

Table 1
Net Position at Year End

	2013	2012
Assets:		
Cash and Cash Equivalents	\$ 34,722	\$ 15,624
Total Assets	34,722	15,624
Net Position:		
Unrestricted	34,722	15,624
Total Net Position	\$ 34,722	\$ 15,624

At year end, the Academy had no external restrictions on their net position.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Financial Analysis (continued)

Table 2 provides a summary of the Academy's change in net position for 2013:

Table 2
Changes in Net Position

	2013	2012
Operating Receipts:		
Foundation Receipts	\$ 207,335	\$ 222,181
Total Operating Receipts	207,335	222,181
Operating Disbursements:		
Purchased Services	189,678	228,931
Supplies and Materials	3,709	1,936
Capital Outlay	1,064	21,717
Other	3,400	3,555
Total Operating Disbursements	197,851	256,139
Operating Income, (Loss)	9,484	(33,958)
Nonoperating Receipts		
Federal Grants	8,913	29,492
State Grants	587	-
Interest Earnings	114	90
Total Nonoperating Receipts	9,614	29,582
Change in Net Position	19,098	(4,376)
Net Position, Beginning of Year	15,624	20,000
Net Position, End of the Year	\$ 34,722	\$ 15,624

The decrease in Foundation Receipts is the result of the Academy's 20% decrease in enrollment from fiscal year 2012 to fiscal year 2013 offset by a \$21,000 increase in special education weighted funding. The significant decrease in Federal Grant receipts is also due primarily to the decrease in student enrollment.

The significant decrease in total operating disbursements is primarily the result of the Academy's decrease in enrollment.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Management's Discussion and Analysis
For the Year Ended June 30, 2013
(Unaudited)

Budget Highlights

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.

Contacting the Academy's Financial Management

The financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have any questions about this report or need additional information contact Richard D. Jones, Treasurer, at RDJones@laca.org or call 740-927-4744.

**SOUTHWEST LICKING DIGITAL ACADEMY
(A COMPONENT UNIT OF SOUTHWEST LICKING LOCAL SCHOOL DISTRICT)
LICKING COUNTY**

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

Assets	
Cash and Cash Equivalents	\$ 34,722
Total Assets	<u> 34,722</u>
 Net Position	
Unrestricted	34,722
Total Net Position	<u><u> \$ 34,722</u></u>

See accompanying notes to the basic financial statements.

**SOUTHWEST LICKING DIGITAL ACADEMY
(A COMPONENT UNIT OF SOUTHWEST LICKING LOCAL SCHOOL DISTRICT)
LICKING COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN NET POSITION - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Receipts:	
Foundation Receipts	\$ 207,335
Total Operating Receipts	<u>207,335</u>
Operating Disbursements:	
Purchased Services	189,678
Supplies and Materials	3,709
Capital Outlay	1,064
Other	3,400
Total Operating Disbursements	<u>197,851</u>
Operating Income	<u>9,484</u>
Non-Operating Receipts:	
Federal Grants	8,913
State Grants	587
Interest Earnings	114
Total Non-Operating Receipts	<u>9,614</u>
Change in Net Position	19,098
Net Position at Beginning of Year	15,624
Net Position at End of Year	<u><u>\$ 34,722</u></u>

See accompanying notes to the basic financial statements.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 – Description of the Reporting Entity

The Southwest Licking Digital Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702. 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 6 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 7 for information regarding the contract between the Academy and VCS.

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

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

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

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.B, 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.

A. 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 in Note 2 B.

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

B. Basis of Accounting

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

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

C. Budgetary Process

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

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

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

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

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. The Academy had no restricted assets for the year ended June 30, 2013.

F. Prepaid Items

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

G. Inventory

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

H. 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. Also, depreciation has not been reported for the capital assets.

I. Accumulated Leave

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

J. 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.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy had no restricted net position for the year ended June 30, 2013.

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

L. Operating Receipts and Disbursements

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.

Note 3 – 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.

Note 4 – Deposits and Investments

A. Deposits

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

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 4 – Deposits and Investments (Continued)

B. Investments

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

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

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

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

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

Note 5 – Risk Management

Property and Liability

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 Sponsor'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.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6 – Fiscal Agent and Payment to Sponsor

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

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

During the year ended June 30, 2013, the Academy paid the Sponsor \$86,738 for the services defined above.

Note 7 – Contract with the Virtual Community School

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

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

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

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 8 – Contingencies

A. 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.

B. Litigation

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

Note 9 – Change in Accounting Principles

For fiscal year 2013, the Academy has implemented the following

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

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

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

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

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 10 – Jointly Governed Organizations

A. Licking Area Computer Association

The Academy is a participant in the Licking Area Computer Association (LACA). LACA is an association which services 30 entities within the boundaries of Licking, Perry, Fairfield, and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the Academy's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The Academy's total payments to LACA for fiscal year 2013 were \$621. Financial statements for LACA can be obtained from their fiscal agent, the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.



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 Digital Academy
Licking County
927-A South St
Pataskala, Ohio 43062

To the Board of Directors:

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 Southwest Licking Digital Academy (the Academy), a component unit of Southwest Licking Local School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 19, 2014, wherein we noted the Academy 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 Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy'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 Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2014

**SOUTHWEST LICKING DIGITAL ACADEMY
LICKING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2013-001
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Annual Financial Report – Noncompliance

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

Ohio Administrative Code Section 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the Academy 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. While these items are material, they cannot be determined at this time.

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

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

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

**SOUTHWEST LICKING DIGITAL ACADEMY
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Southwest Licking Digital Academy
Licking County
927-A South St
Pataskala, Ohio 43062

To the Board of Directors:

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

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

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

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

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

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

Dave Yost
Auditor of State
Columbus, Ohio

February 19, 2014

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SOUTHWEST LICKING DIGITAL ACADEMY

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2014**