



Dave Yost • Auditor of State



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY  
JUNE 30, 2017**

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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 cash-basis financial statements of the governmental activities, 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, 2017, 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 such 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, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District, Licking County, Ohio, as of June 30, 2017, 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, 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 March 15, 2018, 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 initial "D".

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

March 15, 2018

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# SOUTHWEST LICKING LOCAL SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (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, 2017, 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 \$2.8 million, or 17 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 \$3.2 million during the fiscal year.
- The District's general receipts are primarily property taxes, income taxes, and intergovernmental aid. These receipts represent 39%, 12%, and 43% of the total cash received, respectively, for governmental activities during the year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$14.0 million, or 38 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.

**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, 2017  
(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. 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 2017 in comparison with fiscal year 2016 follows for the Statement of Net Position – Cash Basis:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Cash and Cash Equivalents	\$ 19,975,842	\$ 17,135,647	16.57%
Total Assets	<u>19,975,842</u>	<u>17,135,647</u>	16.57%
Restricted for:			
Debt Service	1,453,964	1,418,588	2.49%
Permanent Improvements	1,594,868	2,061,848	-22.65%
Unexpended Grants	338,973	220,810	53.51%
Food Service	354,885	440,516	-19.44%
Extracurricular Activities	179,400	133,451	34.43%
Other Purposes	24,130	23,369	3.26%
Unrestricted	<u>16,029,622</u>	<u>12,837,065</u>	24.87%
Total Net Position	<u>\$ 19,975,842</u>	<u>\$ 17,135,647</u>	16.57%

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

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

As mentioned previously, net position of governmental activities increased approximately \$2.8 million, or 17 percent, in comparison with the prior year.

A significant portion of the District's net position (20 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$16.0 million) may be used to meet the District's ongoing obligations to citizens and creditors.

An analysis of fiscal year 2017 in comparison with fiscal year 2016 follows for the Statement of Activities –Cash Basis:

	<b>2017</b>	<b>2016</b>
<b>Program Receipts</b>		
Charges for Services	\$ 1,696,303	\$ 1,614,308
Operating Grants	2,131,945	2,152,001
<b>General Receipts</b>		
Property Taxes	18,684,470	17,998,703
Income Taxes	5,498,080	5,394,400
Grants and Entitlements	18,692,791	17,504,549
Sale of Bonds/Notes	-	6,489,873
Payments in Lieu of Taxes	397,251	187,680
Investment Earnings	240,911	95,848
Miscellaneous	171,982	297,955
Total Receipts	47,513,733	51,735,317
<b>Program Disbursements</b>		
Instructional	23,000,988	22,599,939
Support Services	14,268,748	13,589,056
Non-instructional	1,499,590	1,535,902
Extra Curricular Activities	848,272	833,275
Capital Outlay	2,285,977	706,297
Principal Payments	2,440,736	2,181,953
Interest and Fiscal Charges	329,227	348,352
Payment to Refunding Bond Escrow Agent	-	5,119,706
Bond Issuance Costs	-	154,501
Total Disbursements	44,673,538	47,068,981
Change in Net Position	2,840,195	4,666,336
Net Position at Beginning of Year	17,135,647	12,469,311
Net Position at End of Year	\$ 19,975,842	\$ 17,135,647

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

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

Grants and Entitlements increased significantly in comparison with the prior fiscal year. This increase is the result of an increase in enrollment.

Capital outlay disbursements increased significantly in comparison with the prior fiscal year. This increase is the result of the additional repairs and maintenance expenditures, services related to asbestos in the old buildings, and the construction of a new administration building.

General receipts represent 92 percent of the District’s total receipts, and of this amount, 51 percent are local taxes. State and federal grants and entitlements make up 43 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 52 and 32 percent of all governmental disbursements, respectively.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<u>Fiscal Year 2017</u>		<u>Fiscal Year 2016</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program expenses				
Instructional	\$ 23,000,988	\$ 21,658,632	\$ 22,599,939	\$ 21,244,782
Support services	14,268,748	13,820,885	13,589,056	13,194,996
Non-instructional	1,499,590	(23,792)	1,535,902	24,751
Extra Curricular Activities	848,272	333,625	833,275	327,334
Capital Outlay	2,285,977	2,285,977	706,297	706,297
Debt Service	2,769,963	2,769,963	7,804,512	7,804,512
Total	<u>\$ 44,673,538</u>	<u>\$ 40,845,290</u>	<u>\$ 47,068,981</u>	<u>\$ 43,302,672</u>

The dependence upon tax and other general revenues is apparent, as 94 percent of instructional activities are supported through taxes and other general revenues. For all Governmental activities, support from general receipts is 91 percent. The District’s taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District’s students.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**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 \$20.0 million, an increase of approximately \$2.8 million in comparison with the prior fiscal year.

Of this amount, approximately \$14.0 million is available for spending at the District's discretion. The remainder of fund balance is nonspendable (\$24,130), restricted (\$3.9 million), committed (\$1.7 million) or assigned (\$239,498).

An analysis of fiscal year 2017 in comparison with fiscal year 2016 follows:

<u>Fund:</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>Change</u>
General Fund	\$ 16,053,752	\$ 12,860,434	24.83%
Permanent Improvement Fund	1,594,868	2,061,848	-22.65%
Debt Service Fund	1,453,964	1,418,588	2.49%
Other Governmental Funds	873,258	794,777	9.87%
Total Fund Balance	<u>\$ 19,975,842</u>	<u>\$ 17,135,647</u>	16.57%

The fund balance of the General Fund increased approximately \$3.2 million during the fiscal year. General Fund receipts increased approximately \$2.0 million, primarily as a result of an increase in enrollment. General Fund disbursements also increased approximately \$2.1 million. This primarily represents a significant increase in capital outlay expenditures related to additional repairs and maintenance expenditures, services related to asbestos in the old buildings, and the construction of a new administration building.

The Permanent Improvement Fund balance decreased \$466,980 during the fiscal year. This decrease represents the amount in which capital outlay and transfers out to the debt service fund exceeded property tax and governmental receipts.

The Debt Service Fund balance increased slightly during the fiscal year. This increase represents the amount in which property tax and related receipts and transfers in from the permanent improvement fund exceeded debt service disbursements.

## **SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (UNAUDITED)**

#### **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 less than original estimated resources by \$210,953 while final appropriations exceeded original appropriations by \$874,038.

Actual revenues and other financing sources exceeded the final revenues and other financing sources estimate by \$583,974, primarily as a result of greater than expected property and intergovernmental receipts. Final appropriations exceeded actual expenditures and other financing uses by \$951,697 as a result of conservative spending.

#### **Capital Assets**

The District is not required to disclose capital assets on the cash basis of accounting but has elected to do so in the note disclosures. At the end of the fiscal year, the District had approximately \$26.6 million (net of accumulated depreciation) invested in capital assets, an increase of \$365,918 in comparison with the prior fiscal year. This increase represents the amount by which current year additions of approximately \$1.6 million exceeded depreciation expense of approximately \$1.2 million and net disposals of \$256. Detailed information regarding capital asset activity can be found in the Note 10 to the basic financial statements.

#### **Debt**

At the end of the fiscal year, the District had total debt outstanding of approximately \$13.1 million, a decrease of approximately \$2.4 million from fiscal year 2016. This decrease represents principal payments and premium amortization of approximately \$2.5 million, offset by current year accretion totaling \$110,140.

Detailed information regarding long-term obligations can be found in Note 11 to the basic financial statements. Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total taxable valuation of real and personal property. As of June 30, 2017, 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, 2017**

	Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 19,949,700
Cash in a Segregated Account	2,012
Restricted Cash and Cash Equivalents	24,130
Total Assets	19,975,842
 <b>Net Position</b>	
Restricted for:	
Debt Service	1,453,964
Permanent Improvements	1,594,868
State and Federal Grants	338,973
Food Services	354,885
Extracurricular Activities	179,400
Other Purposes	24,130
Unrestricted	16,029,622
Total Net Position	\$ 19,975,842

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, 2017

		Program Cash Receipts		Net Receipts (Disbursements) and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular Instruction	\$ 15,101,810	\$ 234,317	\$ -	\$ (14,867,493)
Special Instruction	5,956,141	71,641	959,746	(4,924,754)
Vocational Instruction	354,454	5,074	-	(349,380)
Other Instruction	1,588,583	22,031	49,547	(1,517,005)
Support Services				
Pupils	1,921,496	26,824	50,187	(1,844,485)
Instructional Staff	1,677,026	19,570	121,841	(1,535,615)
Board of Education	85,715	1,227	-	(84,488)
Administration	3,064,579	122,204	1,179	(2,941,196)
Fiscal Services	1,051,005	14,314	-	(1,036,691)
Business Operations	93,015	1,332	-	(91,683)
Operation and Maintenance of Plant	2,789,176	38,715	-	(2,750,461)
Pupil Transportation	3,116,814	38,741	-	(3,078,073)
Central	469,922	6,475	5,254	(458,193)
Non-instructional	1,499,590	627,153	896,229	23,792
Extra Curricular Activities	848,272	466,685	47,962	(333,625)
Capital Outlay	2,285,977	-	-	(2,285,977)
Principal Payments	2,440,736	-	-	(2,440,736)
Interest and Fiscal Charges	329,227	-	-	(329,227)
<b>Total Governmental Activities</b>	<b>\$ 44,673,538</b>	<b>\$ 1,696,303</b>	<b>\$ 2,131,945</b>	<b>(40,845,290)</b>
General Receipts				
Property Taxes Levied for:				
General Purposes				15,474,291
Debt Service				1,688,409
Capital Projects				1,521,770
Income Taxes				5,498,080
Grants & Entitlements not Restricted				18,692,791
Payment in Lieu of Taxes				397,251
Investment Earnings				240,911
Miscellaneous				171,982
<b>Total General Receipts</b>				<b>43,685,485</b>
Change in Net Position				2,840,195
Net Position Beginning of Year				17,135,647
Net Position End of Year				<b>\$ 19,975,842</b>

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, 2017

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 16,029,622	\$ 1,594,868	\$ 1,453,964	\$ 871,246	\$ 19,949,700
Cash in a Segregated Account	-	-	-	2,012	2,012
Restricted Cash and Cash Equivalents	24,130	-	-	-	24,130
<b>Total Assets</b>	<b>\$ 16,053,752</b>	<b>\$ 1,594,868</b>	<b>\$ 1,453,964</b>	<b>\$ 873,258</b>	<b>\$ 19,975,842</b>
<b>Fund Balances:</b>					
Nonspendable:					
Unclaimed Monies	\$ 24,130	\$ -	\$ -	\$ -	\$ 24,130
Restricted for:					
Debt Service	-	-	1,453,964	-	1,453,964
Permanent Improvements	-	1,594,868	-	-	1,594,868
State and Federal Grants	-	-	-	338,973	338,973
Food Services	-	-	-	354,885	354,885
Extracurricular Activities	-	-	-	179,400	179,400
Other Purposes	233	-	-	-	233
Committed for:					
Underground Storage	11,000	-	-	-	11,000
Capital Projects	1,729,155	-	-	-	1,729,155
Assigned for:					
School Support	111,462	-	-	-	111,462
Instruction	81,614	-	-	-	81,614
Support Services	46,422	-	-	-	46,422
Unassigned	14,049,736	-	-	-	14,049,736
<b>Total Fund Balances</b>	<b>\$ 16,053,752</b>	<b>\$ 1,594,868</b>	<b>\$ 1,453,964</b>	<b>\$ 873,258</b>	<b>\$ 19,975,842</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, 2017

	General Fund	Permanent Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>					
Property Taxes	\$ 15,474,291	\$ 1,521,770	\$ 1,688,409	\$ -	\$ 18,684,470
Income Taxes	5,498,080	-	-	-	5,498,080
Payments in Lieu of Taxes	4,255	392,996	-	-	397,251
Intergovernmental	18,277,670	206,337	208,784	2,083,983	20,776,774
Charges for Services	78,351	-	-	616,603	694,954
Interest	215,661	16,295	-	8,955	240,911
Tuition and Fees	524,114	-	-	-	524,114
Extracurricular Activities	163,945	-	-	234,467	398,412
Other	162,309	22,924	-	19,953	205,186
<b>Total Receipts</b>	<b>40,398,676</b>	<b>2,160,322</b>	<b>1,897,193</b>	<b>2,963,961</b>	<b>47,420,152</b>
<b>Disbursements:</b>					
Instruction:					
Regular	15,101,810	-	-	-	15,101,810
Special	5,004,537	-	-	951,604	5,956,141
Vocational	354,454	-	-	-	354,454
Other	1,539,004	-	-	49,579	1,588,583
Support services:					
Pupils	1,873,816	-	-	47,680	1,921,496
Instructional Staff	1,367,060	173,594	-	136,372	1,677,026
Board of Education	85,715	-	-	-	85,715
Administration	3,063,409	-	-	1,170	3,064,579
Fiscal Services	999,912	25,379	25,714	-	1,051,005
Business Operations	93,015	-	-	-	93,015
Operation and Maintenance of Plant	2,704,463	84,713	-	-	2,789,176
Pupil Transportation	2,706,271	410,543	-	-	3,116,814
Central	452,327	12,380	-	5,215	469,922
Non-instructional Services	8,252	-	-	1,491,338	1,499,590
Extracurricular Activities	643,227	-	-	205,045	848,272
Capital Outlay	1,266,713	1,017,264	-	2,000	2,285,977
Debt service:					
Principal Retirement	-	-	2,440,736	-	2,440,736
Interest and Fiscal Charges	-	-	329,227	-	329,227
<b>Total Disbursements</b>	<b>37,263,985</b>	<b>1,723,873</b>	<b>2,795,677</b>	<b>2,890,003</b>	<b>44,673,538</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	3,134,691	436,449	(898,484)	73,958	2,746,614
<b>Other Financing Sources (Uses):</b>					
Donations	58,444	-	-	4,518	62,962
Proceeds from Sale of Assets	183	30,431	-	5	30,619
Transfers In	-	-	933,860	-	933,860
Transfers Out	-	(933,860)	-	-	(933,860)
<b>Total Other Financing Sources (Uses)</b>	<b>58,627</b>	<b>(903,429)</b>	<b>933,860</b>	<b>4,523</b>	<b>93,581</b>
<b>Net Change in Fund Balances</b>	<b>3,193,318</b>	<b>(466,980)</b>	<b>35,376</b>	<b>78,481</b>	<b>2,840,195</b>
Fund Balance Beginning of Year	12,860,434	2,061,848	1,418,588	794,777	17,135,647
<b>Fund Balance End of Year</b>	<b>\$ 16,053,752</b>	<b>\$ 1,594,868</b>	<b>\$ 1,453,964</b>	<b>\$ 873,258</b>	<b>\$ 19,975,842</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, 2017

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Receipts:				
Property Taxes	\$ 15,216,643	\$ 15,216,643	\$ 15,474,291	\$ 257,648
Income Taxes	5,610,309	5,498,080	5,498,080	-
Payments in Lieu of Taxes	5,000	5,000	4,255	(745)
Intergovernmental	18,114,674	18,100,909	18,277,670	176,761
Charges for Services	82,000	74,500	78,351	3,851
Earnings on Investments	84,134	84,134	214,205	130,071
Tuition & Fees	515,098	445,195	524,114	78,919
Extracurricular Activities	151,986	151,986	157,077	5,091
Miscellaneous	113,820	106,264	105,650	(614)
Total Receipts	<u>39,893,664</u>	<u>39,682,711</u>	<u>40,333,693</u>	<u>650,982</u>
Disbursements:				
Instruction:				
Regular	15,248,659	15,121,148	15,131,913	(10,765)
Special	5,206,654	5,051,814	5,051,814	-
Vocational	461,563	371,563	358,689	12,874
Other	1,699,500	1,548,600	1,539,004	9,596
Support Services:				
Pupils	1,961,829	1,887,338	1,886,596	742
Instructional Staff	1,457,233	1,383,150	1,383,150	-
Board of Education	105,175	90,175	89,857	318
Administration	3,027,652	3,062,420	3,062,420	-
Fiscal	996,684	999,912	999,912	-
Business	100,154	99,945	99,884	61
Operation and Maintenance of Plant	2,917,314	2,842,164	2,704,463	137,701
Pupil Transportation	2,592,103	2,711,723	2,711,723	-
Central	464,208	468,908	452,657	16,251
NonInstructional Services	29,850	30,152	8,252	21,900
Extracurricular Activities	636,302	636,301	552,832	83,469
Capital Outlay	2,120,621	3,594,226	2,995,867	598,359
Total Disbursements	<u>39,025,501</u>	<u>39,899,539</u>	<u>39,029,033</u>	<u>870,506</u>
Excess of Receipts Over (Under) Disbursements	<u>868,163</u>	<u>(216,828)</u>	<u>1,304,660</u>	<u>1,521,488</u>
Other Financing Sources (Uses):				
Donations	-	-	15,000	15,000
Sale of Capital Assets	1,000	1,000	183	(817)
Transfers -In	520,507	520,507	439,316	(81,191)
Transfers -Out	(520,507)	(520,507)	(439,316)	81,191
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>1,000</u>	<u>15,183</u>	<u>14,183</u>
Net Change in Fund Balance	869,163	(215,828)	1,319,843	1,535,671
Fund Balances at Beginning of Year	12,357,560	12,357,560	12,357,560	-
Prior Year Encumbrances Appropriated	396,696	396,696	396,696	-
Fund Balances at End of Year	<u>\$ 13,623,419</u>	<u>\$ 12,538,428</u>	<u>\$ 14,074,099</u>	<u>\$ 1,535,671</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, 2017

	<u>Agency Fund</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 25,956
Total Assets	<u>\$ 25,956</u>
<b>Liabilities</b>	
Held for Student Liabilities	\$ 25,956
Total Liabilities	<u>\$ 25,956</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, 2017**

**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 178 classified personnel and 258 certified full-time personnel who provide services to 4,204 students and other community members. The District currently operates five 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.

**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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**(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.

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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

Governmental Funds

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

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

*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. These funds are aggregated and shown in a single column on the financial statements.

*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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**(c) Basis of Accounting (Continued)**

As a result of the use of this cash basis of accounting, certain assets and deferred outflows and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows 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.

**(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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

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 money market funds, certificates of deposit, commercial paper, federal agency securities, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported cost.

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 \$28,522 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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**(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

**(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 12 and 13, 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 includes resources restricted for unclaimed funds.

The District applies restricted resources first 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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**(m) Fund Balances**

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

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

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

Committed – The committed fund balance classification includes amounts that can be used for the specified purposes imposed by a formal action (resolution) of the District’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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**(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.

**(o) Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to / deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**NOTE 3 – 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, deferred inflows, liabilities, deferred outflows, 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.

**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 that encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (cash basis).

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

Change in Fund Balance - Cash Basis	\$	3,193,318
Public School Support Fund		(16,284)
Encumbrances		(1,857,191)
Change in Fund Balance- Budgetary Basis	\$	1,319,843

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;

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

3. Written repurchase agreements in the securities listed above provided the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers' acceptance notes 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 \$3,104,898 and the bank balance was \$4,292,231. Of the District's bank balance, \$4,122,366 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**

The fair value of these investments is not materially different than measurement value.

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

Investment Type	Cost Value	Percent of Total	Maturities	
			Within 1 Year	Within 2-5 Years
STAR Ohio	\$ 3,668,813	22%	\$ 3,668,813	\$ -
Money Market Funds	102,614	1%	102,614	-
Commercial Paper	4,670,734	28%	4,670,734	-
Certificate of Deposit	3,490,164	21%	248,000	3,242,164
Federal Agency Securities	4,964,575	29%	-	4,964,575
Total	<u>\$ 16,896,900</u>	<u>100%</u>	<u>\$ 8,690,161</u>	<u>\$ 8,206,739</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, federal agency securities, and commercial paper were rated AAAm, AA, and A1 by Standard & Poor’s, respectively. The District’s money market funds and negotiable certificates of deposit were not rated. 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 and commercial paper 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, commercial paper, certificates of deposit, and federal agency securities exceeded 5 percent of the District’s total investments.

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**NOTE 6 – INCOME TAXES**

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

**NOTE 7 – TAX ABATEMENTS**

Under Community Reinvestment Area (CRA) property tax abatement agreements entered into by Etna Township, the District's property tax revenues were reduced by \$484,340 during the fiscal year. If these property values were not abated, the property values would be included in the calculation of the District Local Wealth Per Pupil and could have had a negative impact on the amount of school foundation the school district receives. In connection with the District's approval of the CRA agreements, the District receives income tax sharing compensation from Etna Township through Joint Economic Development Zone (JEDZ) contracts administered by the City of Newark. In addition, the District has entered into a compensation agreement with Etna Retail DC LLC to provide an annual donation of \$24,566 during the fifteen years term of the agreement. During the fiscal year, the District received \$368,430 and \$24,566 under the JEDZ Contract and Etna Retail DC LLC agreement, respectively.

**NOTE 8 – 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 2017 represent collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35 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 year 2017 represent collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected in 2017 with real property taxes. Public utility real property is assessed at 35 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.

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**NOTE 8 – PROPERTY TAXES (Continued)**

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 2017 taxes were collected are:

	<u>2016 Second Half Collections</u>		<u>2017 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 497,711,160	82.21%	\$ 508,218,280	81.83%
Commercial/Industrial and Public Utility Real	72,800,160	12.03%	76,157,106	12.26%
Public Utility Personal	34,874,130	5.76%	36,694,640	5.91%
Total	<u>\$ 605,385,450</u>	<u>100.00%</u>	<u>\$ 621,070,026</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 37.90		\$ 37.70	

**NOTE 9 – 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 Notes. During fiscal year 2017, the Permanent Improvement Fund reimbursed the Debt Service Fund \$933,860.

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**NOTE 10 – CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
<b>Nondepreciable Capital Assets</b>					
Land	\$ 3,962,164	\$ -	\$ -	\$ -	\$ 3,962,164
Construction in Progress	1,584,424	-	-	(1,584,424)	-
<b>Total Nondepreciable Assets</b>	<b>5,546,588</b>	<b>-</b>	<b>-</b>	<b>(1,584,424)</b>	<b>3,962,164</b>
<b>Depreciable Capital Assets</b>					
Land Improvements	1,474,259	-	-	-	1,474,259
Buildings	32,464,440	1,085,184	(240,422)	1,584,424	34,893,626
Furniture and Equipment	4,638,541	74,200	(7,679)	-	4,705,062
Vehicles	3,415,740	423,085	(177,928)	-	3,660,897
<b>Total Depreciable Assets</b>	<b>41,992,980</b>	<b>1,582,469</b>	<b>(426,029)</b>	<b>1,584,424</b>	<b>44,733,844</b>
<b>Less Accumulated Depreciation</b>					
Land Improvements	(863,334)	(61,677)	-	-	(925,011)
Buildings	(13,686,791)	(815,232)	240,422	-	(14,261,601)
Furniture and Equipment	(4,242,579)	(94,973)	7,423	-	(4,330,129)
Vehicles	(2,521,420)	(244,413)	177,928	-	(2,587,905)
<b>Total Accumulated Depreciation</b>	<b>(21,314,124)</b>	<b>(1,216,295)</b>	<b>425,773</b>	<b>-</b>	<b>(22,104,646)</b>
<b>Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>20,678,856</b>	<b>366,174</b>	<b>(256)</b>	<b>1,584,424</b>	<b>22,629,198</b>
<b>Total Capital Assets, Net</b>	<b>\$ 26,225,444</b>	<b>\$ 366,174</b>	<b>\$ (256)</b>	<b>\$ -</b>	<b>\$ 26,591,362</b>

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**NOTE 11 – LONG TERM OBLIGATIONS**

A summary of changes in long-term obligations for the fiscal year ended June 30, 2017 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	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -	\$ -
<u>Refunding Bonds Series 2003B</u> Capital Appreciation Bonds	638,394	34,758	(335,000)	338,152	338,152
<u>2005 Refunding Bonds</u> Capital Appreciation Bonds	1,127,128	75,382	(90,000)	1,112,510	1,112,510
<u>Refunding Bonds Series 2013A</u> Current Interest Bonds 2.0-3.0% maturing 12/1/2022	2,229,999	-	(25,000)	2,204,999	25,000
<u>Refunding Bonds Series 2013B</u> Current Interest Bonds (2.0%) maturing 12/1/2018	389,999	-	(135,000)	254,999	140,000
<u>Refunding Bonds Series 2015</u> Current Interest Bonds 2.0-4.0% maturing 12/1/2021	4,960,000	-	(35,000)	4,925,000	35,000
<u>Tax Anticipation Notes</u> Maturing 12/1/2019 (2.0-5.0%)	1,305,000	-	(310,000)	995,000	320,000
<u>Tax Anticipation Notes</u> Maturing 12/1/2021 (2.0-3.0%)	2,195,000	-	(350,000)	1,845,000	355,000
<u>Tax Anticipation Notes</u> Maturing 12/1/2025 (1.25-5.0%)	1,210,000	-	(120,000)	1,090,000	115,000
<u>Promisory Note</u> Maturing 10/5/2017 (3.25%)	40,736	-	(40,736)	-	-
Bonds and Notes Payable	<u>15,096,256</u>	<u>110,140</u>	<u>(2,440,736)</u>	<u>12,765,660</u>	<u>2,440,662</u>
<u>Refunding Bonds Series 2003B</u> Appreciation Bonds Premium	16,730	-	(12,601)	4,129	-
<u>2005 Refunding Bonds</u> Current Interest Bonds Premium	137,887	-	(21,214)	116,673	-
Appreciation Bonds Premium	19,672	-	(13,294)	6,378	-
<u>2015 Refunding Bonds</u> Current Interest Bonds Premium	230,735	-	(41,952)	188,783	-
<u>2016 Tax Anticipation Notes</u> Premium	64,754	-	(6,816)	57,938	-
Total Long Term Obligations	<u>15,566,034</u>	<u>110,140</u>	<u>(2,536,613)</u>	<u>13,139,561</u>	<u>2,440,662</u>

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**NOTE 11 – LONG TERM OBLIGATIONS (Continued)**

**1999 School Improvement Bonds** - On March 15, 1999, the District issued School Facilities Construction and Improvement Bonds for \$19,120,000, with a varying interest rate of 3.1 to 5.15 percent, for the purpose of constructing, renovating, furnishing, and equipping school buildings. 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 bonds matured during fiscal year 2017.

**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, 2017, accumulated accretion on the capital appreciation bonds is \$265,811. The debt is being repaid by tax receipts through the bond retirement Debt Service Fund. The current interest bonds were refunded with the 2013A series refunding bonds.

**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, 2017, accumulated accretion on the capital appreciation bonds is \$616,423. The current interest bonds were refunded by the 2015 series refunding bonds.

**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 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 with associated issuance costs of \$19,912.

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**NOTE 11 – LONG TERM OBLIGATIONS (Continued)**

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.

**Refunding Bonds, Series 2015** - On September 9, 2015, the District current refunded the 2005 bond issuance and issued \$4,960,000 in bonds with an interest rate of 2.0-4.0 percent. The bonds were sold at a premium of \$251,711 with associated issuance costs of \$64,360. The current refunding resulted in a cash flow savings value of \$680,139 with a net present value of \$639,494. 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 through the bond retirement Debt Service Fund, and reimbursed by tax receipts received in the Permanent Improvement 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. The debt is being repaid through the bond retirement Debt Service Fund, and reimbursed by tax receipts received in the Permanent Improvement Fund.

In fiscal year 2016, the District issued an additional \$1,210,000 in Tax Anticipation Note 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, 2025 with gradually increasing principal payments. Interest is paid semiannually on June 1 and December 1 of each year, which began on June 1, 2016. The debt is being repaid through the bond retirement Debt Service Fund, and reimbursed by tax receipts received in the Permanent Improvement Fund.

**Promissory Notes** - In fiscal year 2013, the District borrowed \$143,967 with an annual interest rate of 3.25 percent 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 was being repaid by tax receipts through the bond retirement Debt Service Fund. The District paid off the note early in June 2017.

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**NOTE 11 – LONG TERM OBLIGATIONS (Continued)**

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

Fiscal Year	Principal	Interest	Total
2018	2,440,662	326,750	2,767,412
2019	2,389,998	408,454	2,798,452
2020	2,465,000	200,426	2,665,426
2021	2,175,000	148,071	2,323,071
2022	2,260,000	99,276	2,359,276
2023-2026	1,035,000	62,701	1,097,701
Total	<u>\$ 12,765,660</u>	<u>\$ 1,245,678</u>	<u>\$ 14,011,338</u>

The Ohio Revised Code provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The effects of these laws at fiscal year-end are a voted debt limit of \$47,060,642 and an unvoted debt limit of \$621,070. At fiscal year-end, the District has complied with these limits. The aggregate amount of the District’s unvoted debt is also subject to overlapping debt restrictions with various governmental entities. At fiscal year-end, 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 12 – DEFINED BENEFIT PENSION PLAN**

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers.

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**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare Part B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare Part B was 14 percent and nothing was allocated to the Heath Care Fund. The District paid \$718,023 to SERS during fiscal year 2017.

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**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates. The District paid \$2,291,700 to STRS during fiscal year 2017.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability - 2016	\$ 11,661,815	\$ 49,932,864	\$ 61,594,679
Proportion of the Net Pension Liability - 2016	0.1593345%	0.14917349%	
Proportion of the Net Pension Liability - 2015	<u>0.1575825%</u>	<u>0.14593878%</u>	
Change in Proportionate Share	<u>0.0017520%</u>	<u>0.00323471%</u>	

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

***Actuarial Assumptions - SERS***

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current	1% Increase
	<u>(6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>(8.50%)</u>
District's proportionate share of the net pension liability	\$ 15,439,517	\$ 11,661,815	\$ 8,499,722

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 12 – DEFINED BENEFIT PENSION PLAN (Continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Changes Between Measurement Date and Report Date** In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the District’s net pension liability is expected to be significant.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 66,356,718	\$ 49,932,864	\$ 36,078,374

**NOTE 13 – 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 a postemployment benefit plan.

**Health Care Plan** – Sections 3309.375 and 3309.69 of the Ohio Revised Code 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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 13 – POSTEMPLOYMENT BENEFITS (Continued)**

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

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 pensions and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2017, the health care allocation is 0%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's payments to health care, including the surcharge, for the years ended June 30, 2017, 2016, and 2015 were \$81,758, \$83,240, and \$122,141, respectively, 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

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 plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**(b) State Teachers Retirement System**

Plan Description – The District participates to the cost sharing multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. 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 visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0 and \$0, respectively; 100 percent has been contributed for each fiscal year.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 14 – 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 Liberty Mutual. Coverage provided by Liberty Mutual is as follows:

**Property Coverage**

Building and Business Personal Property - Replacement Cost	\$79,489,350
Equipment Breakdown	Included

**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

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

Liability	\$1,000,000
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**Umbrella/Liability Coverage**

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

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

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

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

**NOTE 15 – 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 2017 were \$180,027.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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. META Solutions (formerly Tri-Rivers Educational Computer Association (TRECA))**

The District participates in the Metropolitan Educational Technology Association (META), a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. Each year, the participating school district's pay a membership fee to META to cover the costs of administering the program. The District's total payments to META for fiscal year 2017 were \$1,630. Financial information can be obtained by META's CFO, 100 Executive Drive, Marion, Ohio 43302.

**C. 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 2016, the Board consisted of twenty-one members. In fiscal year 2017, the District made no payments to the Council.

**NOTE 16 – 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.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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:

Set-aside cash balance as of June 30, 2016	\$	-
Current fiscal year set-aside requirement		699,488
Current Year Offsets		(1,728,107)
Total		<u><u>\$ (1,028,619)</u></u>
Balance Carried Forward to Fiscal Year 2018	\$	<u><u>-</u></u>

**NOTE 18 – 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.
- (c) **School District Foundation** - Funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the fiscal year 2017 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District. As a result of the fiscal year 2017 reviews, the District is due \$42,352 from ODE. This amount is excluded in the financial statements.

**NOTE 19 – ENCUMBRANCES**

The District encumbers funds with purchase orders to assign funds for those purchases of goods and services. Encumbrances as of fiscal year end in the General Fund, Permanent Improvement Fund and Other Governmental Funds were \$1,857,191, \$188,551 and \$124,955, respectively.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT**  
**LICKING COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2017, the District has implemented the following:

*GASB Statement No. 77 “Tax Abatement Disclosures”* improves disclosure of tax abatement information, such as how the tax abatements affect their financial statements and operations and the government’s ability to raise resources in the future, by reporting (1) the government’s own tax abatement agreements; and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The implementation of this statement did not have a significant effect on the financial statements of the District.

*GASB Statement No. 78 “Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans”* amended the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of this statement did not have an effect on the financial statements of the District.

*GASB Statement No. 79 “Certain External Investment Pools and Pool Participants”* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of this statement did not have a significant effect on the financial statements of the District.

*GASB Statement No. 80 “Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14”* amended the blending requirements for the financial statement presentation of component units of all state and local governments to enhanced the comparability of financial statements among governments. The implementation of this statement did not have an effect on the financial statements of the District.

*GASB Statement No. 82 “Pension Issues – An Amendment of GASB Statements No. 67, 68, and 73”* addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy plan member contribution requirements. The implementation of this statement did not have an effect on the financial statements of the District.

**NOTE 21 – SUBSEQUENT EVENTS**

District taxpayers voted and passed a bond levy in the amount of \$78,369,647 for the construction of new school buildings in May 2017. The District received the bond proceeds on September 14, 2017.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	N/A	\$ 175,938
National School Lunch Program (Non-Cash Assistnace)	10.555	N/A	114,369
National School Lunch Program	10.555	N/A	442,336
Total Child Nutrition Cluster			<u>732,643</u>
Total U.S. Department of Agriculture			<u>732,643</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	N/A	513,309
Special Education Cluster (IDEA) - Special Education Grants to States	84.027	N/A	635,544
Improving Teacher Quality State Grants	84.367	N/A	90,097
Total U.S. Department of Education			<u>725,641</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,971,593</u></u>

*The accompanying notes are an integral part of this schedule.*

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southwest Licking Local School District’s (the District’s) under programs of the federal District for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

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

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - 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 D – 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 Co-op used by the District is administered by HPS and is part of the EPC/MEC buying group.

**NOTE E - 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. The District transferred the following amounts from 2016 to 2017 programs:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount Transferred</b>
Title I Grants to Local Educational Agencies	84.010	\$ 37,689
Special Education Grants to States	84.027	\$ 25,655
Improving Teacher Quality State Grants	84.367	\$ 13



# 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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Licking Local School District, Licking County, Ohio (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2018, 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 2017-001.

***District's Response to Findings***

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

March 15, 2018



# 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 THE UNIFORM GUIDANCE

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Southwest Licking Local School District's, Licking County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Southwest Licking Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

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**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 the Uniform Guidance, 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.

*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 or 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.

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

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



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

March 15, 2018

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster Title I Grants to Local Educational Agencies CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**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 Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code §117.38.

**Ohio Admin. 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 omit certain assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

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

**Officials' Response**

See corrective action plan.



# SOUTHWEST LICKING LOCAL SCHOOLS

927-A South Street  
Pataskala, OH 43062

Richard D. Jones, Treasurer  
rdjones@laca.org

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2014-001 2015-001 2016-001	Noncompliance for Ohio Rev. Code § 117.38 for not filing on GAAP basis  Finding first occurred in fiscal year 2004 at finding 2004-SWLS-001.	Not corrected	The District elects to report on a cash basis rather than GAAP. The finding was re-issued as 2017-001.
2016-002	Material Weakness and Noncompliance for 2 CFR 3474.1 and 2 CFR 200.430(i)(1)(i-v) for completion of personnel activity reports to verify allowable cost/cost principles of the Special Education Cluster Grant	Fully Corrected	None.



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## CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	None. The Southwest Licking LSD has no plans to convert to GAAP financial statements due to cost of the GAAP conversion and audit. The District does prepare GAAP Look Alike financial statements.	N/A	Richard D. Jones, Treasurer



# 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 29, 2018**