

**Mary Taylor, CPA**  
Auditor of State



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Southwest Licking Local School District  
Licking County  
927 South Street  
PO Box 180  
Etna, Ohio 43018-0180

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District, Licking County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District, Licking County, Ohio, as of June 30, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 3, the District restated fund balances as of July 1, 2005, due to reclassification of funds and outstanding interfund loans.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 22, 2007

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

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As management of the Southwest Licking Local School District (the School District), we offer readers of the School District's financial statements this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the notes to the basic financial statements.

**Financial Highlights**

Key financial highlights for the fiscal year 2006 are as follows:

- Modified cash basis net assets of governmental activities increased \$2,431,921.
- General receipts accounted for \$29,461,148 in receipts or 86 percent of all receipts. Program specific receipts in the form of charges for services, grants, contributions, and interest accounted for \$4,866,164 or 14 percent of total receipts of \$34,327,312.
- The School District had \$31,895,391 in disbursements related to governmental activities; only \$4,866,164 of these disbursements was offset by program specific charges for services, grants, contributions, and interest.
- The School District's major funds were the general fund, debt service fund, and the permanent improvement fund. The general fund had \$28,146,565 in receipts, \$26,208,092 in disbursements, and \$12,440 in other financing sources (uses). The general fund's balance increased \$1,950,913. The debt service fund had \$2,714,228 in receipts and \$2,041,068 in disbursements. The debt service fund's balance increased \$673,160. The permanent improvement fund had \$890,560 in receipts and \$984,722 in disbursements. The permanent improvement fund's balance decreased \$94,162.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets – Modified Cash Basis and Statement of Activities – Modified Cash Basis provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's most significant fund with all non-major funds presented in total in one column.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

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***Reporting the School District as a Whole***

*Statement of Net Assets- Modified Cash Basis and Statement of Activities – Modified Cash Basis*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified Cash Basis answer this question. These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets – Modified Cash Basis and the Statement of Activities – Modified Cash Basis, all of the School District's programs and services are reported as governmental including instruction, support services, operation of non-instructional services, food service, extracurricular activities, intergovernmental, and interest and fiscal charges.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for multiple financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund, and the permanent improvement fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs

**The School District as a Whole**

Recall that the Statement of Net Assets – Modified Cash Basis provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005.



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

**Table 1 - Net Assets**

	Governmental Activities		
	2006	2005	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,870,673	\$3,438,752	\$2,431,921
<b>Net Assets</b>			
Restricted	\$2,521,798	\$1,959,171	\$562,627
Unrestricted	3,348,875	1,479,581	1,869,294
<b>Total Net Assets</b>	<b>\$5,870,673</b>	<b>\$3,438,752</b>	<b>\$2,431,921</b>

The increase in net assets of \$2,431,921 was due mainly to the increase in property taxes receipts. The School District's assessed values increased by \$64.2 million in fiscal year 2006. The School District also began collecting tax receipts on the February 2006 tax settlement from a \$3,250,000 a year emergency operating tax levy passed in May 2005 for a 5 year period.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006, and comparisons to fiscal year 2005.

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**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

**Table 2 - Changes in Net Assets**

<b>Receipts</b>	Governmental Activities		
	2006	2005	Change
Program Cash Receipts			
Charges for Services	\$2,093,376	\$1,814,336	\$279,040
Operating Grants, Contributions, and Interest	2,717,262	2,381,360	335,902
Capital Grants and Contributions	55,526	27,899	27,627
Total Program Cash Receipts	<u>4,866,164</u>	<u>4,223,595</u>	<u>642,569</u>
General Receipts			
Property Taxes	13,620,391	10,888,881	2,731,510
Income Taxes	3,567,522	3,262,415	305,107
Grants and Entitlements	11,945,157	11,973,539	(28,382)
Investment Earnings	224,002	98,828	125,174
Sale of Capital Assets	2,824	1,753	1,071
Donations	5,000	0	5,000
Premium on Refunding Bonds	0	26,502	(26,502)
Miscellaneous	96,252	216,234	(119,982)
Total General Receipts	<u>29,461,148</u>	<u>26,468,152</u>	<u>2,992,996</u>
Total Receipts	<u>34,327,312</u>	<u>30,691,747</u>	<u>3,635,565</u>
<b>Program Disbursements</b>			
Instruction			
Regular	13,098,543	12,358,468	740,075
Special	2,856,531	2,618,627	237,904
Vocational	418,754	478,905	(60,151)
Support Services			
Pupil	1,656,434	1,612,627	43,807
Instructional Staff	1,097,778	900,219	197,559
Board of Education	32,864	30,972	1,892
Administration	2,447,073	2,125,400	321,673
Fiscal	735,835	628,544	107,291
Business	79,359	84,437	(5,078)
Operation and Maintenance of Plant	2,296,484	2,244,959	51,525
Pupil Transportation	1,864,282	1,497,404	366,878
Central	372,008	662,922	(290,914)
Operation of Non-Instructional Services:			
Community Services	93,696	176,535	(82,839)
Food Service	1,184,897	1,052,069	132,828
Extracurricular Activities	968,524	797,972	170,552
Capital Outlay	686,931	481,824	205,107
Intergovernmental	2,000	0	2,000
Principal Retirement	1,190,000	947,929	242,071
Interest and Fiscal Charges	813,398	847,094	(33,696)
Total Program Disbursements	<u>31,895,391</u>	<u>29,546,907</u>	<u>2,348,484</u>
<i>Change in Net Assets</i>	<u>\$2,431,921</u>	<u>\$1,144,840</u>	<u>\$1,287,081</u>

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

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Over the past several years the School District has experienced a significant amount of residential growth. The School District is located in Licking and Fairfield Counties, 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. There have been several new housing developments over the past few years that have contributed a great amount to the School District's growth. Assessed values upon which taxes are collected continue to increase each year. The increase from fiscal year 2005 to 2006 was \$64.2 million. Of the \$64.2 million increase in assessed values, \$63 million was due to the increase in agricultural/residential and other real estate values. Licking County completed their revaluation in calendar year 2005 and Fairfield County completed their revaluation in calendar year 2004.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35 annually in taxes. If three years later, the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would be .5 mills and the owner would still pay \$35.

In May 2005, the School District passed a 5 year \$3,250,000 a year emergency operating levy. This will allow the School District to provide current levels of opportunity. The current operating tax levy began collections in February, 2006.

The DeRolf IV Ohio Supreme Court decision has not eliminated the dependence on property taxes. The fundamental reliance on property taxes is still inherent with public schools in Ohio. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decrease as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 40 percent of receipts for governmental activities for the School District in fiscal year 2006. The State still has not fixed the funding system although there is hope for some change as the result of any recommendations from the Governors Blue Ribbon Task Force created as a result of DeRolf IV.

Along with the School District's dependence on property taxes, the School District also depends on income taxes. The School District passed a continuing .75 percent income tax for general operations which went into effect on February 15, 1990. The income tax levy generated \$3,567,522 in fiscal year 2006 which was up \$305,107 over fiscal year 2005. The income tax levy is approximately 12 percent of all governmental receipts in fiscal year 2006.

Instruction comprises approximately 52 percent of governmental program disbursements, support services make up approximately 33 percent of the program disbursements, operation of non-instructional services make up approximately 4 percent of program disbursements, 5 percent of program disbursements is related to extracurricular activities, capital outlay, and intergovernmental, and the remaining 6 percent is related to principal retirement and interest and fiscal charges of the School District. The main increase in disbursements was due to the School District hiring back some certified staff after the passing of the May 2005 levy and a three percent increase in salaries.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

**Table 3 - Governmental Activities**

	<u>Total Cost of Services</u> 2006	<u>Net Cost of Services</u> 2006	<u>Total Cost of Services</u> 2005	<u>Net Cost of Services</u> 2005
<b>Program Expenses</b>				
Instruction:				
Regular	\$13,098,543	\$12,593,928	\$12,358,468	\$11,902,464
Special	2,856,531	1,377,434	2,618,627	1,048,904
Vocational	418,754	378,129	478,905	437,919
Support Services:				
Pupil	1,656,434	1,622,564	1,612,627	1,481,427
Instructional Staff	1,097,778	949,223	900,219	753,598
Board of Education	32,864	32,864	30,972	30,972
Administration	2,447,073	2,409,882	2,125,400	2,125,400
Fiscal	735,835	261,195	628,544	628,544
Business	79,359	71,298	84,437	80,209
Operation and Maintenance of Plant	2,296,484	2,230,236	2,244,959	2,221,774
Pupil Transportation Central	1,864,282 372,008	1,721,102 314,354	1,497,404 662,922	1,467,142 575,621
Operation of Non-Instructional Services:				
Community Services	93,696	(41,428)	176,535	27,368
Food Service Operations	1,184,897	138,223	1,052,069	92,570
Extracurricular Activities	968,524	291,350	797,972	172,553
Capital Outlay	686,931	674,233	481,824	481,824
Intergovernmental	2,000	1,242	0	0
Principal Retirement	1,190,000	1,190,000	947,929	947,929
Interest and Fiscal Charges	813,398	813,398	847,094	847,094
<b>Totals</b>	<u>\$31,895,391</u>	<u>\$27,029,227</u>	<u>\$29,546,907</u>	<u>\$25,323,312</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as approximately 88 percent of instruction activities are supported through taxes and other general receipts for fiscal year 2006 which is comparable to the 89 percent during fiscal year 2005. However, it should be noted that special instruction activities are largely provided through program receipts, by over 52 percent and 60 percent for fiscal year 2006 and 2005, respectively. That is the result of operating grants and contributions restricted for special instruction purposes.

The above schedule clearly shows the dependence upon tax receipts and state subsidies for governmental activities. For 2006, only 15 percent of the governmental activities performed by the School District are supported through program receipts such as charges for services, grants, contributions, and interest. The remaining 85 percent is provided through taxes and entitlements.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

**The School District's Major Funds**

The School District's major funds are accounted for using the modified cash basis of accounting. The general fund had total receipts of \$28,146,565, disbursements of \$26,208,092, and other financing sources (uses) of \$12,440. The general fund increased its fund balance by \$1,950,913. The increase in fund balance was due mainly to the increase in property taxes. The School District began collecting tax receipts for the emergency operating levy on the February 2006 tax settlement and the School District also seen an increase in assessed values of \$64.2 million over fiscal year 2005. The debt service fund had total receipts of \$2,714,228 and disbursements of \$2,041,068. The debt service fund increased its fund balance by \$673,160. The permanent improvement fund had total receipts of \$890,560 and disbursements of \$984,722. The permanent improvement's fund balance decreased by \$94,162.

**General Fund Budgeting Highlights**

The School 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.

During the course of fiscal 2006, the School District amended its general fund budget. The School District closely monitors its resources and uses and if necessary, modifies appropriations on a timely basis.

The general fund had original revenue budget estimates of \$27,398,430. The original budget estimates were increased to a final budget amount of \$27,550,872 for the fiscal year. Actual revenues were \$595,693 over final budgeted estimates.

The School District's ending unobligated fund balance was \$3,054,526.

**Debt**

At June 30, 2006, the School District had \$21,495,734 in debt outstanding.

**Table 4 - Outstanding Debt, at Fiscal Year End**

	Governmental Activities	
	2006	2005
2003 Energy Conservation Serial Notes	\$1,390,000	\$1,480,000
2003 Energy Conservation Capital Appreciation Notes	75,000	75,000
2003 Etna Elementary School Improvement Serial Bonds - Refunding	4,665,000	4,885,000
2003 Etna Elementary School Improvement Capital Appreciation Bonds - Refunding	469,988	469,988
2005 Construction Serial Bonds - Refunding	3,740,000	3,955,000
2005 Construction Term Bonds - Refunding	4,995,000	4,995,000
2005 Construction Capital Appreciation Bonds - Refunding	2,214,987	2,214,987
1999 School Improvement Serial Bonds	2,510,000	3,175,000
1999 School Improvement Term Bonds	1,260,000	1,260,000
Capital Leases	175,759	212,785
<b>Totals</b>	<u>\$21,495,734</u>	<u>\$22,722,760</u>

See Notes 13 and 14 for more detailed information of the School District's outstanding debt.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

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**Economic Factors**

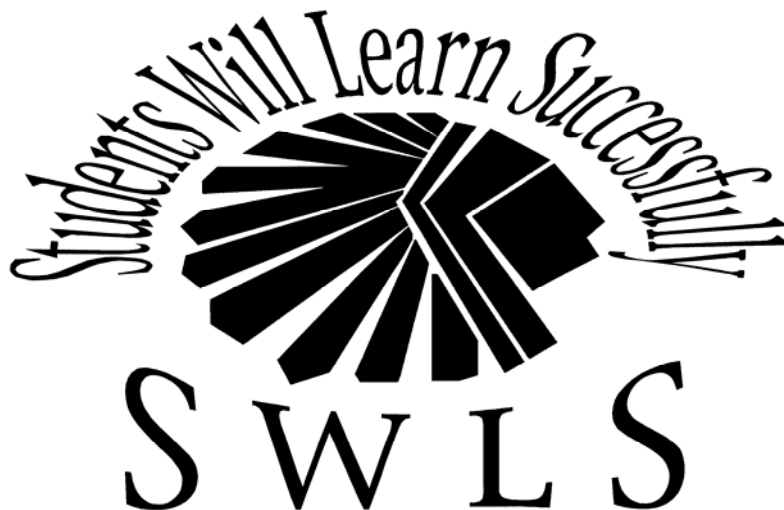
The School District's current five year forecast is projecting a positive cash balance through fiscal year 2011. The positive cash balance forecasted through fiscal year 2011 is largely attributed to the School District voters approving two levies during fiscal year 2005. In November 2004 the School District passed a 2.8 mill permanent improvement levy for five additional years. In May 2005, the voters approved an emergency operating levy that will generate \$3,250,000 each year for a five year period.

The Board of Education and administration of the School District must continue to maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District as well as careful planning to ensure that significant outlays may be made in the future to address our facility needs.

The School District is currently working with the Ohio School Facilities Commission and has completed the master plan for the School District. The School District is currently part of the Expedited Local Partnership program with the Ohio School Facilities Commission. Since the master plan has been developed and agreed to, any projects completed by the School District, that are included in the master plan, will be credited toward the School District's local share of funding for completion of the master plan.

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

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School 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 ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2006**

	Primary Government	Component Unit
	Governmental Activities	Southwest Licking Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$5,870,673	\$20,243
<i>Total Assets</i>	<i>\$5,870,673</i>	<i>\$20,243</i>
<b>Net Assets</b>		
Restricted for:		
Capital Projects	\$534,343	\$0
Debt Service	1,710,271	0
District Managed Activities	159,347	0
Auxiliary Services	49,084	0
Other Purposes	53,852	0
Bus Purchase Allowance	14,901	0
Unrestricted	3,348,875	20,243
<i>Total Net Assets</i>	<i>\$5,870,673</i>	<i>\$20,243</i>

See accompanying notes to the basic financial statements

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Program Cash Receipts				Net (disbursements) Receipts and Changes in Net Assets	Component Unit
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Primary Governmental	
					Governmental Activities	
<b>Governmental Activities</b>						
Instruction:						
Regular	\$13,098,543	\$371,473	\$133,142	\$0	(\$12,593,928)	\$0
Special	2,856,531	0	1,479,097	0	(1,377,434)	0
Vocational	418,754	0	0	40,625	(378,129)	0
Support Services:						
Pupil	1,656,434	0	33,870	0	(1,622,564)	0
Instructional Staff	1,097,778	0	148,555	0	(949,223)	0
Board of Education	32,864	0	0	0	(32,864)	0
Administration	2,447,073	3,114	34,077	0	(2,409,882)	0
Fiscal	735,835	192,343	282,297	0	(261,195)	0
Business	79,359	0	8,061	0	(71,298)	0
Operation and						
Maintenance of Plant	2,296,484	32,737	33,511	0	(2,230,236)	0
Pupil Transportation	1,864,282	46,882	81,397	14,901	(1,721,102)	0
Central	372,008	0	57,654	0	(314,354)	0
Operation of Non-						
Instructional Services:						
Community Services	93,696	0	135,124	0	41,428	0
Food Service	1,184,897	773,276	273,398	0	(138,223)	0
Extracurricular Activities	968,524	673,551	3,623	0	(291,350)	0
Capital Outlay	686,931	0	12,698	0	(674,233)	0
Intergovernmental	2,000	0	758	0	(1,242)	0
Debt Service:						
Principal Retirement	1,190,000	0	0	0	(1,190,000)	0
Interest and Fiscal Charges	813,398	0	0	0	(813,398)	0
<b>Totals</b>	<b>\$31,895,391</b>	<b>\$2,093,376</b>	<b>\$2,717,262</b>	<b>\$55,526</b>	<b>(27,029,227)</b>	<b>-</b>
Component Unit						
Southwest Licking						
Digital Academy	\$393,849	\$0	\$4,920	\$0	0	(388,929)
<b>General Receipts</b>						
Property Taxes Levied for:						
General Purposes					10,414,698	0
Capital Outlay					772,450	0
Debt Service					2,433,243	0
Income Taxes Levied for General Purposes					3,567,522	0
Grants and Entitlements not						
restricted to Specific Programs					11,945,157	295,270
Investment Earnings					224,002	2,522
Sale of Capital Assets					2,824	0
Donations					5,000	0
Miscellaneous					96,252	0
<b>Total General Receipts</b>					<b>29,461,148</b>	<b>297,792</b>
Change in Net Assets					2,431,921	(91,137)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>						
					3,438,752	111,380
<b>Net Assets End of Year</b>					<b>\$5,870,673</b>	<b>\$20,243</b>



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,126,530	\$1,710,271	\$533,839	\$479,256	\$5,849,896
Restricted Cash and Cash Equivalents	<u>20,777</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,777</u>
<i>Total Assets</i>	<u><u>\$3,147,307</u></u>	<u><u>\$1,710,271</u></u>	<u><u>\$533,839</u></u>	<u><u>\$479,256</u></u>	<u><u>\$5,870,673</u></u>
<b>Fund Balances</b>					
Reserved for Encumbrances	\$92,781	\$0	\$210,587	\$26,020	\$329,388
Unclaimed Monies	5,876	0	0	0	5,876
Bus Purchase Allowance	14,901	0	0	0	14,901
Unreserved:					
Undesignated, Reported in:					
General Fund	3,033,749	0	0	0	3,033,749
Special Revenue Funds	0	0	0	452,732	452,732
Debt Service Fund	0	1,710,271	0	0	1,710,271
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>323,252</u>	<u>504</u>	<u>323,756</u>
<i>Total Fund Balances</i>	<u><u>\$3,147,307</u></u>	<u><u>\$1,710,271</u></u>	<u><u>\$533,839</u></u>	<u><u>\$479,256</u></u>	<u><u>\$5,870,673</u></u>

See accompanying notes to the basic financial statements

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$10,414,698	\$2,433,243	\$772,450	\$0	\$13,620,391
Income Tax	3,567,522	0	0	0	3,567,522
Intergovernmental	13,069,959	280,985	93,387	1,266,073	14,710,404
Interest	178,452	0	24,723	28,368	231,543
Tuition and Fees	612,091	0	0	0	612,091
Rentals	32,737	0	0	0	32,737
Extracurricular Activities	179,742	0	0	448,075	627,817
Contributions and Donations	5,000	0	0	47,455	52,455
Charges for Services	0	0	0	773,276	773,276
Miscellaneous	86,364	0	0	9,888	96,252
			0		
<i>Total Receipts</i>	<u>28,146,565</u>	<u>2,714,228</u>	<u>890,560</u>	<u>2,573,135</u>	<u>34,324,488</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	12,778,866	0	199,407	120,270	13,098,543
Special	2,349,229	0	0	507,302	2,856,531
Vocational	418,094	0	0	660	418,754
Support Services:					
Pupil	1,623,181	0	0	33,253	1,656,434
Instructional Staff	941,897	0	0	155,881	1,097,778
Board of Education	32,864	0	0	0	32,864
Administration	2,416,169	0	0	30,904	2,447,073
Fiscal	681,366	37,670	16,799	0	735,835
Business	75,759	0	99,539	0	175,298
Operation and Maintenance of Plant	2,217,717	0	110,008	4,084	2,331,809
Pupil Transportation	1,862,447	0	238,089	1,835	2,102,371
Central	323,676	0	170,059	48,332	542,067
Operation of Non-Instructional Services:					
Community Services	257	0	0	93,439	93,696
Operation of Food Services	0	0	0	1,184,897	1,184,897
Extracurricular Activities	484,646	0	5,226	478,652	968,524
Intergovernmental			0	2,000	2,000
Capital Outlay	1,924	0	145,595	0	147,519
Debt Service:					
Principal Retirement	0	1,190,000	0	0	1,190,000
Interest and Fiscal Charges	0	813,398	0	0	813,398
<i>Total Disbursements</i>	<u>26,208,092</u>	<u>2,041,068</u>	<u>984,722</u>	<u>2,661,509</u>	<u>31,895,391</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,938,473</u>	<u>673,160</u>	<u>(94,162)</u>	<u>(88,374)</u>	<u>2,429,097</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	2,824	0	0	0	2,824
Transfers In	9,616	0	0	1,924	11,540
Transfers Out	0	0	0	(11,540)	(11,540)
			0		
<i>Total Other Financing Sources (Uses)</i>	<u>12,440</u>	<u>0</u>	<u>0</u>	<u>(9,616)</u>	<u>2,824</u>
<i>Net Change in Fund Balances</i>	1,950,913	673,160	(94,162)	(97,990)	2,431,921
<i>Fund Balances Beginning of Year- Restated (See note 3)</i>	<u>1,196,394</u>	<u>1,037,111</u>	<u>628,001</u>	<u>577,246</u>	<u>3,438,752</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,147,307</u>	<u>\$ 1,710,271</u>	<u>\$ 533,839</u>	<u>\$ 479,256</u>	<u>\$ 5,870,673</u>

See accompanying notes to the basic financial statements

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$10,248,015	\$10,340,103	\$10,414,698	\$74,595
Income Tax	3,443,162	3,463,168	3,567,522	104,354
Intergovernmental	12,915,302	12,951,246	13,069,959	118,713
Interest	101,908	102,500	178,452	75,952
Tuition and Fees	475,337	481,149	612,091	130,942
Rentals	22,645	22,777	32,737	9,960
Extracurricular Activities	159,344	160,269	179,742	19,473
Contributions and Donations	3,800	3,800	5,000	1,200
Charges for Services	0	0	0	0
Miscellaneous	28,917	25,860	86,364	60,504
<i>Total receipts</i>	<u>27,398,430</u>	<u>27,550,872</u>	<u>28,146,565</u>	<u>595,693</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	13,167,045	13,623,316	12,780,228	843,088
Special	2,321,345	2,579,121	2,349,229	229,892
Vocational	423,969	453,159	423,614	29,545
Support Services:				
Pupil	1,750,328	1,874,875	1,650,581	224,294
Instructional Staff	953,112	1,153,836	970,916	182,920
Board of Education	28,260	38,080	32,864	5,216
Administration	2,510,267	2,686,666	2,419,538	267,128
Fiscal	673,059	732,812	681,366	51,446
Business	62,802	94,319	75,878	18,441
Operation and Maintenance of Plant	2,274,821	2,463,424	2,221,441	241,983
Pupil Transportation	1,824,070	1,964,677	1,865,847	98,830
Central	401,732	437,575	342,544	95,031
Operation of Non-Instructional Services:				
Community Services	0	257	257	0
Extracurricular Activities	341,094	644,725	484,646	160,079
Capital Outlay	0	1,924	1,924	0
<i>Total Disbursements</i>	<u>26,731,904</u>	<u>28,748,766</u>	<u>26,300,873</u>	<u>2,447,893</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>666,526</u>	<u>(1,197,894)</u>	<u>1,845,692</u>	<u>3,043,586</u>
<b>Other Financing Sources</b>				
Sale of Capital Assets	1,500	1,500	2,824	1,324
Transfers In	0	0	9,616	9,616
Advances In	10,001	10,001	10,001	0
<i>Total Other Financing Sources</i>	<u>11,501</u>	<u>11,501</u>	<u>22,441</u>	<u>10,940</u>
<i>Net Change in Fund Balance</i>	678,027	(1,186,393)	1,868,133	3,054,526
<i>Fund Balance Beginning of Year</i>	1,093,846	1,093,846	1,093,846	
Prior Year Encumbrances Appropriated	92,547	92,547	92,547	
<i>Fund Balance End of Year</i>	<u>\$1,864,420</u>	<u>\$0</u>	<u>\$3,054,526</u>	<u>\$3,054,526</u>

See accompanying notes to the basic financial statements

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - MODIFIED CASH BASIS  
AGENCY FUND  
JUNE 30, 2006**

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 17,522
<i>Total Assets</i>	<u>\$ 17,522</u>
<b>Liabilities</b>	
Held for Student Activities	\$ 17,522
<i>Total Liabilities</i>	<u>\$ 17,522</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, 2006**

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District was established in 1953 through the consolidation of existing land areas and school districts. The School 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 School District is staffed by 141 classified employees, 231 certificated full-time teaching personnel, and 13 administrative employees who provide services to 3,515 students and other community members. The School District currently operates six instructional buildings, one administrative building, and one support service building.

**Reporting Entity**

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

The following activities are included within the reporting entity:

**Private School** - Liberty Christian SLDA, a private school, operates within the School 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 School District, as directed by the private school in accordance with State rules and regulations. This activity is reflected in a special revenue fund for financial reporting purposes.

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

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 1 - Description of the School District and Reporting Entity (Continued)**

**Southwest Licking Digital SLDA.** March of 2003, the Board of Education, by resolution, created the Southwest Licking Digital SLDA (SLDA) pursuant to Ohio Revised Code Chapters 3314 and 1702. SLDA is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. SLDA's mission is to enhance and facilitate student learning by providing state of the art digital curriculum and instruction; innovative, collaborative leadership; and technical expertise and support that will prepare students to become lifelong learners and intelligent decision makers. The students may include, but will not be limited to, home schooled children, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students within the School District (the SLDA sponsor school district), that desire a specific course not currently offered that is available through online instruction. SLDA operates under the direction of a five-member Board of Directors made up of three-members from the School District and two-members from the public, both of which are appointed by the School District. The first public member shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of SLDA. The second public member shall be a person who represents the interests of parents and students served by the conversion school. SLDA's board may adopt budgets, hire and fire employees, and receive funding from the Ohio Department of Education. SLDA is a component unit of the School District. The School District appoints a majority of the Board of Directors and is able to impose its will on SLDA. The School District can suspend SLDA's operations for any of the following reasons: 1) SLDA's failure to meet student performance requirements stated in its contract with the School District, 2) SLDA's failure to meet generally accepted standards of fiscal management, 3) SLDA's violation of any provisions of the contract with the School District or applicable state or federal law, or 4) Other good cause. Separately issued financial statements can be obtained from the Southwest Licking Digital SLDA, P.O. Box 180, Etna, Ohio 43018-0180.

The School District participates in four jointly governed organizations, one insurance purchasing pool, and is associated with one related organization. These organizations are the Licking Area Computer Association, the Metropolitan Educational Council, Central Ohio Special Education Regional Resource Center, the School Study Council of Ohio, the Ohio Association of School Business Officials Workers Compensation Group Rating Plan, and the Pataskala Public Library. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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. In the government-wide and fund financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements are prepared on the modified cash basis of accounting and consist of government-wide statement, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The Statement of Net Assets – Modified Cash Basis presents the cash balance of the governmental activities of the School District at fiscal year end. The Statement of Activities – Modified Cash Basis compares disbursements with program receipts for each function or program of the School 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 or draws from the School District's general receipts.

**Fund Financial Statements** During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of governmental 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 School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds for the School District: governmental and fiduciary.

**Governmental Funds** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

**General Fund** The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

**Debt Service Fund** The debt service fund is used to account for the accumulation of resources for, and the payment of, bond principal, interest, and related costs.

**Permanent Improvement Fund** The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Fiduciary Fund Type** The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

**C. Basis of Accounting**

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School 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 School District are described in the appropriate section in this note.

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

**D. Budgetary Data**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. 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 fiscal year if projected increases or decreases in receipts are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated receipts. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2006, the School District invested in federal agency securities and State Treasury Asset Reserve of Ohio (STAR Ohio).

Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$178,452, which includes \$68,193 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

**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. Restricted assets include amounts represent unexpended grants restricted for the purchase of buses and for unclaimed monies.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements 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, 2006  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**I. Interfund Receivables/Payables**

The School District reports advances-in and advances-out for interfund loans. The School District did not have any interfund loans during fiscal year 2006.

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

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

**L. Long-Term Obligations**

The School District's modified 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 disbursements are made. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes.

The School District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$2,521,798 of restricted net assets, of which none is restricted by enabling legislation.

**N. Fund Balance Reserves**

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, unclaimed monies, and bus purchase allowance.

**O. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers 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 financial statements.

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LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 3 – Change in Basis of Accounting and Restatement of Prior Year Fund Balances**

**A. Change in Accounting Principles**

For the fiscal year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 47, "Accounting for Termination Benefits."

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the modified cash basis financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the modified cash basis financial statements.

**B. Restatement of Prior Year Fund Balances**

In the prior year, the unclaimed monies fund was reported as an Agency Fund and the scholarship fund was reported as a special revenue fund. These funds were reclassified and combined with the general fund as of July 1, 2005. Also, the School District posted play to participate monies into the district managed activities special revenue fund during fiscal year 2005 instead of the general fund. In addition, there was an outstanding interfund loan between the general fund and the reducing class size special revenue fund that was not recognized on the financial statements.

The restatement had the following effect on the cash fund balances on July 1, 2005.

	General Fund	Other Governmental Funds
Fund balance as of June 30, 2005, as previously reported	\$1,105,578	\$650,375
Interfund loan	10,001	(10,001)
Reclassification of funds	80,815	(63,128)
Restated fund balance as of July 1, 2005	\$1,196,394	\$577,246

The reclassification of funds had the following effect on net assets of governmental activities and assets and liabilities of fiduciary funds on July 1, 2005.

	Governmental Activities	Agency Fund
Net Assets or Assets/Liabilities as of June 30, 2005, as previously reported	\$3,421,065	\$37,353
Reclassification of funds	17,687	(17,687)
Restated fund balance as of July 1, 2005	\$3,438,752	\$19,666

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 4 – Compliance**

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

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis).

Net Change in Fund Balance	
Modified Cash Basis	\$1,950,913
Advances In	10,001
Adjustment for Encumbrances	<u>(92,781)</u>
Budget Basis	<u><u>\$1,868,133</u></u>

**Note 6 - Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 6 - Deposits and Investments (Continued)**

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School 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 for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$100,000 of the School District's bank balance of \$608,066 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial 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 School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**Note 6 - Deposits and Investments (Continued)**

**Investments** As of June 30, 2006, the School District had the following investments.

	Carrying Value	Market Value	Maturity
STAROhio	\$5,581,261	\$5,581,261	34.77 Days
Federal Home Loan Bank Note	150,000	148,547	10/30/06
Federal Home Loan Bank Note	150,000	148,500	11/21/06
Total	\$5,881,261	\$5,878,308	

**Interest Rate Risk** The School 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** The Federal Home Loan Bank Notes carried a rating by Standard & Poor's of AAA. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

**Concentration of Credit Risk** The School 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 School District's investments in the Federal Home Loan Bank Notes represented 5 percent and STAR Ohio represented 95 percent of the School District's total investments.

**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 property, public utility property, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. 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 revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 7 - Property Taxes (Continued)**

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, however, this settlement was not made until July 2006.

The School District receives property taxes from Licking and Fairfield Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential	\$397,194,290	86%	\$447,286,360	85%
Commerical/Industrial and Public Utility Real	41,107,470	9%	54,034,950	10%
Public Utility Personal	16,647,680	3%	16,406,790	3%
Tangible Personal Property	8,553,786	2%	9,985,535	2%
Total	\$463,503,226	100%	\$527,713,635	100%
Full tax rate per \$1,000 of assessed valuation	\$33.70		\$39.67	

In May 2005, the School District passed an emergency operating tax levy for a five year period that will generate \$3,250,000 per year.

**Note 8 – Income Tax**

The School 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 9 - Risk Management**

**A. Property and Liability**

The School 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 fiscal year 2006, the School District contracted with Indiana Insurance for all of their insurance. Their insurance agent was Best Hoover McTeague Insurance Services. The types and amounts of coverage provided by Indiana Insurance are as follows:

Building and Contents-replacement cost	\$63,408,428
Inland Marine (\$250 deductible)	360,000
Auto Insurance	1,000,000
Uninsured Motorists (deductibles are \$250 for comprehensive and \$500 for collision)	1,000,000
Commercial Umbrella Liability each occurrence	5,000,000
General Aggregate and Products/Completed Operations Limit	5,000,000
Self Insured Retention per occurrence	10,000
Commercial General Liability each occurrence	1,000,000
General Aggregate Limit	2,000,000
Personal and Advertising Injury Limit	1,000,000
Products/Completed Operations Aggregate Limit	2,000,000
Employee Benefits Liability each employee	1,000,000
Aggregate	3,000,000
School Leaders Errors and Omissions Liability (\$10,000 deductible)	
Each Occurrence/aggregate	1,000,000
Sexual Misconduct and Molestation Liability-each loss/aggregate	1,000,000
Employers Stop Gap Coverage-each accident	1,000,000
Aggregate	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 fiscal year 2005.

**B. Workers Compensation**

For fiscal year 2006, the School District participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17) established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts and libraries that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc. Managed Care Organization provides administration costs and actuarial services to the GRP.



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 10 - Employee Benefits**

**A. Health Care Benefits**

The School District provides health and drug insurance for all eligible employees through United Healthcare. The School District pays medical and drug monthly premiums for staff, family, and single coverage. The School District also provides dental insurance for all eligible employees through Coresource. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Mutual of Omaha Insurance Company. Premiums are paid from the same funds that pay the employees' salaries.

**B. Retirement Incentive**

The School District offers a \$10,000 retirement incentive to certified employees that retire as soon as the employee is eligible with 25 or 30 years of experience or with 5 years of experience and 60 years of age or older. A \$7,500 retirement incentive is given to certified employees that pass up the first year of eligibility but elect to retire in the subsequent year. The retirement incentive is paid out to employees in January following the date of retirement. Payment shall be made in January following their retirement.

**Note 11 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$381,038, \$367,644, and \$333,107, respectively; 50 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 11 - Defined Benefit Pension Plans (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,742,472, \$1,831,420, and \$1,618,022, respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$23,700 made by the School District and \$60,757 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, two members of the Board of Education elected Social Security. Members contribute 6.2 percent of wages paid. The School District's share is 6.2 percent.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 12 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$134,036 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the School District paid \$200,978 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

**Note 13 – Lease Obligations**

In the prior year, the School District has entered into capitalized leases for copiers. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease as one which transfers benefits and risks of ownership to the lessee. The agreements provide for minimum annual rental payments as follows:

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 13 – Lease Obligations (Continued)**

Fiscal Year Ending June 30,	Principal	Interest
2007	\$39,606	\$10,654
2008	42,363	7,897
2009	45,312	4,948
2010	48,478	1,792
Total	\$175,759	\$25,291

**Note 14 - Long Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 6/30/2005	Additions	Reductions	Principal Outstanding 6/30/2006	Amount Due in One Year
<b>Governmental Activities</b>					
Long-Term Bonds and Notes:					
Energy Conservation Serial Notes 2003 1.2-4.1%	\$1,480,000	\$0	\$90,000	\$1,390,000	\$90,000
Energy Conservation Capital Appreciation Notes 2003 5.74%	75,000	0	0	75,000	0
Etna Elementary School Improvement Serial Bonds - 2003 Refunding 1.2-4.4%	4,885,000	0	220,000	4,665,000	255,000
Etna Elementary School Improvement Capital Appreciation Bonds - 2003 Refunding 11.63%	469,988	0	0	469,988	0
Construction Serial Bonds - 2005 Refunding 3-3.5%	3,955,000	0	215,000	3,740,000	730,000
Construction Term Bonds - 2005 Refunding 4.25-5%	4,995,000	0	0	4,995,000	0
Construction Capital Appreciation Bonds - 2005 Refunding 6.7355%	2,214,987	0	0	2,214,987	0
School Improvement Serial Bonds - 1999 4-5.75%	3,175,000	0	665,000	2,510,000	90,000
School Improvement Term Bonds - 1999 5.75%	1,260,000	0	0	1,260,000	0
Total Long-Term Bonds and Notes	22,509,975	0	1,190,000	21,319,975	1,165,000
Other:					
Capital Leases	212,785	0	37,026	175,759	39,606
Total Governmental Activities Long-Term Liabilities	\$22,722,760	\$0	\$1,227,026	\$21,495,734	\$1,204,606

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 14 - Long Term Obligations (Continued)**

On December 9, 2003, the School District issued unvoted Energy Conservation Serial and Capital Appreciation Notes for \$1,575,000 and \$75,000, respectively, with varying interest rates of 1.2 to 4.1 percent. The purpose of the issuance was to install energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a fifteen year period with final maturity during fiscal year 2019. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. Tax revenues were allocated from the general fund to the bond retirement debt service fund to meet current fiscal year obligations. The notes were issued at a premium of \$142,707 with associated issuance costs of \$24,662. The capital appreciation notes of \$75,000 will mature in fiscal year 2010 at \$105,000. The interest accretion on the notes as of June 30, 2006 is \$11,121.

On April 1, 1995, the School 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 the issuance was to construct, renovate, furnish, and equip school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2023. On December 9, 2003, the School 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 \$480,880 and with associated issuance costs of \$83,103. 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. The interest accretion on the capital appreciation bonds as of June 30, 2006 is \$149,449. The debt is being repaid by tax receipts through the bond retirement fund.

On March 15, 1999, the School 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 the issuance was to construct, renovate, furnish, and equip school buildings. The bond was issued for a twenty-eight year period with final maturity during fiscal year 2027. On March 8, 2005 the School 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 was considered defeased and removed from the School District's liability. \$11,958,166 was deposited in an irrevocable trust to provide for all future debt service payments on the refunded portion of the 1999 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$793,166. As of June 30, 2006, \$11,194,221 in investments with a market value of \$11,341,251 remained in the irrevocable trust to retire outstanding bonds in the amount of \$11,165,000.

The \$11,164,987 in 2005 refunding bonds consisted of serial, term, and capital appreciation bonds in the amounts of \$3,955,000, \$4,995,000, and \$2,214,987, respectively. The debt is being repaid by tax receipts through the bond retirement fund. The 2005 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 \$4,995,000 will mature at \$4,055,000 ranging from the fiscal years of 2012 to 2018. Interest accretion on the capital appreciation bonds as of June 30, 2006 is \$181,942.

Term bonds maturing December 1, 2019, for \$2,355,000, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amounts as follows (the remaining \$1,205,000 principal amount of such bonds will be paid at stated maturity on December 1, 2019):

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 14 - Long Term Obligations (Continued)**

Year Ending June 30	Principal Amount To be Redeemed
2018	\$1,150,000

Term bonds maturing December 1, 2021, for \$2,595,000, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amounts as follows (the remaining \$1,330,000 principal amount of such bonds will be paid at stated maturity on December 1, 2021):

Year Ending June 30	Principal Amount To be Redeemed
2020	\$1,265,000

Term bonds maturing December 1, 2022, for \$45,000, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amounts as follows:

Year Ending June 30	Principal Amount To be Redeemed
2022	\$45,000

\$4,435,000 of the original outstanding 1999 school facilities construction and improvement bonds was not refunded and will mature in fiscal year 2017. The \$4,435,000 in outstanding bonds consists of \$3,175,000 in serial bonds and \$1,260,000 in term bonds. The debt is being repaid by tax receipts through the bond retirement fund.

Term bonds maturing December 1, 2014, for \$1,260,000, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the year and in the respective principal amounts as follows (the remaining \$770,000 principal amount of such bonds will be paid at stated maturity on December 1, 2014):

Year Ending June 30	Principal Amount To be Redeemed
2013	\$490,000

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

Energy Conservation Notes

Year Ending June 30	Principal	Interest	Total
2007	\$90,000	\$47,013	\$137,013
2008	100,000	44,988	144,988
2009	100,000	42,488	142,488
2010	75,000	71,113	146,113
2011	105,000	39,406	144,406
2012-2016	580,000	138,004	718,004
2017-2019	415,000	26,010	441,010
Total	\$1,465,000	\$409,022	\$1,874,022

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 14 - Long Term Obligations (Continued)**

The capital appreciation bonds accretion of the deep-discount bonds from the initial value at the time of issuance to their value at final maturity is included in the interest column.

Etna Elementary School Improvement  
Bonds - 2003 Refunding

Year Ending June 30	Principal	Interest	Total
2007	\$255,000	\$166,413	\$421,413
2008	275,000	160,769	435,769
2009	295,000	153,619	448,619
2010	340,000	144,463	484,463
2011	365,000	133,431	498,431
2012-2016	1,160,113	1,280,660	2,440,773
2017-2021	1,394,875	951,132	2,346,007
2022-2023	1,050,000	46,954	1,096,954
Total	<u>\$5,134,988</u>	<u>\$3,037,441</u>	<u>\$8,172,429</u>

The capital appreciation bonds accretion of the deep-discount bonds from the initial value at the time of issuance to their value at final maturity is included in the interest column.

Construction Bonds - 2005 Refunding

Year Ending June 30	Principal	Interest	Total
2007	\$730,000	\$358,750	\$1,088,750
2008	710,000	337,150	1,047,150
2009	685,000	315,369	1,000,369
2010	680,000	293,188	973,188
2011	935,000	265,775	1,200,775
2012-2016	1,677,417	2,384,646	4,062,063
2017-2021	4,157,570	1,683,741	5,841,311
2022-2023	1,375,000	36,119	1,411,119
Total	<u>\$10,949,987</u>	<u>\$5,674,738</u>	<u>\$16,624,725</u>

The capital appreciation bonds accretion of the deep-discount bonds from the initial value at the time of issuance to their value at final maturity is included in the interest column.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 14 - Long Term Obligations (Continued)**

1999 School Improvement Bonds

Year Ending June 30	Principal	Interest	Total
2007	\$90,000	\$205,353	\$295,353
2008	135,000	200,673	335,673
2009	190,000	193,800	383,800
2010	225,000	184,869	409,869
2011	0	179,975	179,975
2012-2016	2,130,000	738,012	2,868,012
2017	1,000,000	28,750	1,028,750
Total	<u>\$3,770,000</u>	<u>\$1,731,432</u>	<u>\$5,501,432</u>

The School District's overall legal debt margin was \$26,463,911, with an unvoted debt margin of \$514,654 at June 30, 2006.

Capital leases are being repaid through the general fund. Principal and interest payments are being paid out of the operation and maintenance of plant function.

**Note 15 - Interfund Balances**

The general fund received an advance repayment from the reducing class size special revenue fund for \$10,001. At fiscal year end, there were no outstanding items.

Interfund transfers during 2006, consisted of the FEMA special revenue fund transferring \$9,616 to the general fund and \$1,924 to the food service special revenue fund. The transfer was created to reimburse the funds that made the initial disbursements for the storm damage repairs that were qualified disbursements under the FEMA program.

**Note 16 - Jointly Governed Organizations**

**A. Licking Area Computer Association**

The School District is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services fourteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School 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 School District's total payments to LACA for fiscal year 2006 were \$125,982. Financial statements for LACA can be obtained from their fiscal agent, the Licking County Joint Vocational School District, 150 Price Road, Newark, OH 43055.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 16 - Jointly Governed Organizations (Continued)**

**B. Metropolitan Educational Council**

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's total payments to MEC for fiscal year 2006 were \$97,375. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

**C. Central Ohio Special Education Regional Resource Center**

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in Central Ohio (which comprise sixty percent of the Board), two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Mental Retardation and Developmental Disabilities, and representatives of universities. The School District participates in the following services of COSERRC: Identification and Program Development Project, Regional Educational Assessment Programming Project, Instructional Resource Center Project, Early Childhood Services Project, and the Ohio Resource Center for Low Incidence and Severely Handicapped Project. These services are to assist the School District in complying with mandates of Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for COSERRC. The School District made no payments to COSERRC during fiscal year 2006.

**D. School Study Council of Ohio**

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board) that is comprised of numerous Ohio school districts. The purpose of the Council is to bring about the improvement of education in member school organizations. Participating school districts have active membership by paying a yearly membership fee which entitles each school district to attend Council meetings and voting privileges. Participating school districts may elect to be associate members which entitles them to attend meetings and participate in Council discussions but not to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2006, the Board consisted of sixteen members. In fiscal year 2006, the School District made payments of \$1,002 to the Council.

**Note 17 – Insurance Purchasing Pool**

**Ohio Association of School Business Officials Workers' Compensation Group Rating Plan**

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OASBA. The Executive Director of the OASBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. In fiscal year 2006, the School District made payments of \$4,119 to the Association.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Note 18 – 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 School District. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Due process is required to remove board members. No subsidies are provided by the School District.

**Note 19 – Related Party Transactions**

The School District appoints three of the five Board members of its discretely presented component unit, the Southwest Licking Digital Academy (SLDA). Per the School District's contract with SLDA, SLDA pays the School District from funding provided by the Ohio Department of Education pursuant to Ohio Rev. Code Section 3314.08, \$150 per student per fiscal year. For the year ended June 30, 2006, SLDA paid \$185,893 related to this provision of the contract. SLDA paid 100% related to the provision of this contract as of June 30, 2006. The SLDA also paid an additional \$941 to the School District for supplies and materials.

**Note 20 - Set asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at 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 year end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2005	(\$511,713)	(\$19,667,482)
Current Year Set-aside Requirement	505,511	505,511
Current Year Offsets	0	0
Qualifying Disbursements	<u>(546,067)</u>	<u>(652,007)</u>
Total	<u>(\$552,269)</u>	<u>(\$19,813,978)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$552,269)</u>	<u>(\$19,667,482)</u>

The School District issued \$19,120,000 in bonds in fiscal year 1999 to provide for renovations of Pataskala Elementary, Kirkersville Elementary, the middle and high schools. In addition, the School District issued \$1,650,000 in HB 264 Energy Conservation Notes in fiscal year 2004 that was used to make energy saving capital improvements throughout the District. These amounts are an allowable offset to future years for the capital improvements and maintenance set-aside. The negative amount is therefore presented as being carried forward to the next fiscal year.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 20 - Set asides (Continued)**

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. These extra amounts in the textbooks and capital improvement set-asides may be used to reduce the set-aside requirements of future years.

**Note 21 – Southwest Licking Digital Academy Component Unit**

**A. Description of the School**

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

SLDA was formally created on January 9, 2003, by entering a five year contract with the Southwest Licking Local School District (the Sponsor). SLDA was approved by the Sponsor through a preliminary agreement on June 20, 2003. The Sponsor is responsible for evaluating the performance of SLDA and has the authority to deny renewal of the contract at its expiration. The Sponsor's Treasurer also completes the role of Treasurer for SLDA. SLDA paid purchased services to Tri-Rivers Educational Computer Association (TRECA) for providing the planning, design, and implementation, instructional, administrative and technical services during the fiscal year.

SLDA operates under the direction of a five-member Board of Directors made up of three-members from the Southwest Licking Local School District and two-members from the public, both of which are appointed by the Sponsor. The first public member shall be a public educator or other public official representing a governmental entity that desires to further the establishment and operation of SLDA. The second public member shall be a person who represents the interests of parents and students served by the conversion school.

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

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 21 – Southwest Licking Digital Academy Component Unit (Continued)**

**B. Summary of Significant Accounting Policies**

**Basis of Accounting**

Although required by Ohio Rev. Code Section 3314.03 (A)(8), Ohio Administrative Code Section 117-2-03(B), and by SLDA's contract with its Sponsor to prepare its financial statements in accordance with generally accepted accounting principles (GAAP), officials of SLDA chose to prepare its financial statement on the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**Basis of Presentation**

SLDA's basic financial statements consist of a statement of net assets – modified cash basis and a statement of activities – modified cash basis. SLDA uses a single enterprise presentation to report its financial activities. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**Budgetary Process**

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

**Cash and Investments**

All cash received by SLDA's Treasurer is maintained in a demand deposit account. SLDA had no investments during the year ended June 30, 2006.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. SLDA had no restricted assets during fiscal year 2006.

**Inventory and Prepaid Items**

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

**Capital Assets**

SLDA records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**Intergovernmental Revenues**

SLDA currently participates in the State Foundation Program, the State Special Education Weighted Program, and Parity Aid. Revenues received from these programs are recognized as operating cash receipts on the accompanying financial statement.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 21 – Southwest Licking Digital Academy Component Unit (Continued)**

**Employer Contributions to Cost-Sharing Pension Plans**

SLDA recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. The employer contributions include portions for pension benefits and for postretirement health care benefits.

**Long-Term Obligations**

SLDA's modified cash basis statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the 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 capital outlay expenditure are reported at inception. Lease payments are reported when paid. SLDA did not have any long-term obligations outstanding during fiscal year 2006.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by SLDA or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. SLDA's policy is to first apply restricted resources when obligations is incurred for purposes for which both restricted and unrestricted net assets are available.

**Operating Receipts and Disbursements**

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

**C. Change n Financial Statement Presentation**

For the year ended June 30, 2006, SLDA revised its financial presentation comparable to the requirements of Governmental Accounting Standards No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. This change had no effect on SLDA's net assets..

**D. Deposits**

At June 30, 2006, the carrying amount of SLDA's deposits was \$20,243 and the bank balance was \$21,998. The entire bank balance was covered by federal depository insurance.

**E. Risk Management**

**Property and Liability**

SLDA 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. SLDA did not have liability insurance coverage during the year ended June 30, 2006.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 21 – Southwest Licking Digital Academy Component Unit (Continued)**

**Workers' Compensation**

SLDA pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**F. Defined Benefit Pension Plans**

**School Employees Retirement System**

SLDA contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and SLDA is required to contribute at an actuarially determined rate. The current SLDA rate is 14 percent of annual covered payroll. A portion of SLDA's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. SLDA's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$504, \$560, and \$210, respectively. The full amount was contributed for fiscal years 2006, 2005 and 2004.

**State Teachers Retirement System**

SLDA participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio 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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 21 – Southwest Licking Digital Academy Component Unit (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. SLDA was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

SLDA's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,320, \$600, and \$210, respectively. The full amount has been contributed for fiscal years 2006, 2005, and 2004.

**G. Postemployment Benefits**

SLDA provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the SLDA, this amount equaled \$75 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For SLDA, the amount contributed to fund healthcare benefits, including the surcharge, during the 2006 fiscal year equaled \$7.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 21 – Southwest Licking Digital Academy Component Unit (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

**H. Contract with TRECA**

SLDA entered into a one year contract with TRECA on July 1, 2005 through June 30, 2006. Under the contract, the following terms were agreed upon:

- TRECA shall provide SLDA with instructional, supervisory/administrative, and technical services sufficient to effectively implement SLDA's educational plan and SLDA's assessment and accountability plan.
- All personnel providing services to SLDA on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to SLDA shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- SLDA shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to day operations of SLDA.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- SLDA shall pay TRECA up to \$3,550 per full-time student enrolled in SLDA during the 2005-2006 academic year or pro rated per portion thereof; part-time students may be enrolled on such terms as are agreed to by the parties.

During year ended June 30, 2006, SLDA paid TRECA \$168,541 for these services. Included in this total was \$27,065 in services related to the prior year contract. All services for fiscal year 2006 have been paid.

To obtain TRECA's audited June 30, 2006 financial statements, contact Scott Armstrong, Treasurer, at [scott@treca.org](mailto:scott@treca.org) or call 740-389-4798.

**I. Contract with Sponsor/Related Party Transactions**

SLDA's Sponsor appoints all five Board members. SLDA is a discretely presented component unit of the Sponsor.

SLDA's contract with the Sponsor requires SLDA to pay the following amounts:

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

During the fiscal year 2006, SLDA paid the Sponsor \$185,893 for the services defined above. Additionally, the SLDA paid \$941 to the Sponsor for supplies and materials.



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 21 – Southwest Licking Digital Academy Component Unit (Continued)**

**J. Purchased Services**

For the year ended June 30, 2006, purchased service disbursements were for the following services:

<u>Type</u>	<u>Amount</u>
Sponsor Fees and Disbursements	\$185,893
Professional and Technical Services	168,715
Audit Fees	5,738
Student Intervention	1,920
Other	1,319
Speech Services	275
Data Processing Services	<u>213</u>
Total	<u>\$364,073</u>

**K. Contingencies**

**Grants**

SLDA received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of SLDA. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of SLDA at June 30, 2006.

**Litigation**

A suit was filed in the U.S. District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on LFDA is not presently determinable.

**Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by SLDA. These reviews are conducted to ensure SLDA is reporting accurate student enrollment data to the State, upon which foundation funding is calculated. The fiscal year 2006 review found SLDA was overpaid \$18,624. SLDA's fiscal year 2007 foundation receipts will be reduced by this amount.

**L. Subsequent Event**

Effective March 7, 2007, four members of the Academy's Board of Directors resigned due to guidance obtained from legal counsel regarding changes to community school laws included in Ohio House Bill 79 which became effective March 30, 2007.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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**Note 22 – Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

**B. Litigation**

The School District is currently not a party to any material legal proceedings.

**C. Columbia Gas Transmission Corporation Lawsuit**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$4,562 per year. A portion of the refund may be recovered from additional State entitlement payments.

**Note 23 – Subsequent Event**

On May 17, 2007, the Board authorized the issuance of \$600,000 in tax anticipation notes for the storm water removal system / athletic fields project at Watkins Memorial High School. The notes were issued on June 21, 2007.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education.</i>						
Food Donation Program	-	10.550	\$0	\$105,252	\$0	\$105,252
Nutrition Cluster:						
School Breakfast Program	048041-05PU-2005	10.553	7,561	0	7,561	0
	048041-05PU-2006		23,330	0	23,330	0
National School Lunch Program	048041-LLP4-2005	10.555	62,244	0	62,244	0
	048041-LLP4-2006		160,173	0	160,173	0
Total Nutrition Cluster			253,308	0	253,308	0
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>253,308</b>	<b>105,252</b>	<b>253,308</b>	<b>105,252</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education.</i>						
Title I Grants to Local Educational Agencies	048041-C1S1-2005	84.010	29,849	0	39,386	0
	048041-C1S1-2006		98,828	0	94,700	0
Special Education_Grants to States	048041-6BSF-2005	84.027	108,708	0	130,728	0
	048041-6BSF-2006		422,602	0	412,655	0
Safe and Drug-Free Schools and Communities State Grants	048041-DRS1-2005	84.186	(27)	0	0	0
	048041-DRS1-2006		7,128	0	3,849	0
State Grants for Innovative Programs	048041-C2S1-2005	84.298	(969)	0	2,088	0
	048041-C2S1-2006		5,058	0	5,057	0
Education Technology State Grants	048041-TJS1-2005	84.318	0	0	3,559	0
	048041-TJS1-2006		1,940		1,695	
Improving Teacher Quality State Grants	048041-TRS1-2005	84.367	33,933	0	23,919	0
	048041-TRS1-2006		76,562	0	73,432	0
<b>Total U.S. Department of Education</b>			<b>783,612</b>	<b>0</b>	<b>791,068</b>	<b>0</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of MR/DD.</i>						
State Children's Insurance Program (SCHIP)	4501060	93.767	6,345	0	6,345	0
Medical Assistance Program Community Alternative Funding System (CAFS)	4501060	93.778	118,800	0	118,800	0
<b>Total U.S. Department of Health and Human Services</b>			<b>125,145</b>	<b>0</b>	<b>125,145</b>	<b>0</b>
<b>Totals</b>			<b>\$1,162,065</b>	<b>\$105,252</b>	<b>\$1,169,521</b>	<b>\$105,252</b>

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B – FOOD DONATION**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

**NOTE C – CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE D - TRANSFERS BETWEEN COST CENTERS**

In 2003, the grant periods were modified by ODE to agree with the fiscal year of school districts. The grant periods changed from a 27 month period ending on September 30 to a 12 month period ending on June 30. A transfer was made between the 2005 and 2006 grant years for the Safe and Drug Free Schools and Communities State Grants (CFDA #84.186) in the amount of \$27 and for the State Grants for Innovative Programs (CFDA #84.298) in the amount of \$969.



# Mary Taylor, CPA

## Auditor of State

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

Southwest Licking Local School District  
Licking County  
927 South Street  
PO Box 180  
Etna, Ohio 43018-0180

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Licking Local School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 22, 2007, wherein we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles, and wherein we noted the District restated July 1, 2005, fund balances and net assets due to reclassifications of funds and outstanding interfund loans. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2006-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated June 22, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

35 N. Fourth St. / Second Floor / Columbus, OH 43215-3612  
Telephone: (614) 466-3402      (800) 443-9275      Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### 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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-002 through 2006-007. In a separate letter to the District's management dated June 22, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 22, 2007



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Southwest Licking Local School District  
Licking County  
927 South Street  
PO Box 180  
Etna, Ohio 43018-0180

To the Board of Education:

#### Compliance

We have audited the compliance of Southwest Licking Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006. In a separate letter to the District's management dated June 22, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated June 22, 2007.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 22, 2007



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Grants to States - #84.027 Medicaid - #93.778
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Reportable Condition – Extracurricular Activities**

The District should have internal control policies and procedures in place over student activities. These policies should establish the responsibilities of everyone involved with activities, the forms to be completed for each activity, the records that advisors should maintain for audit of the activity, and the responsibilities of the Treasurer’s Office to monitor this activity. The District should also require that each activity advisor (teacher, coach, administrator, etc.) be given a copy of the policy and that they acknowledge receipt of those policies.

The District has established internal control policies and procedures over student activities in the Treasurer’s Handbook. These policies include guidance on the responsibility of everyone involved with the activity, including the Board of Education, Superintendent, Treasurer, Building Principal, Activity Advisor/Treasurer, and Cashiers. The policies also establish the required forms (Statement of Purpose and Budget, Fund Raising Approval Request, Sales Project Form, and Ticket Accountability Form) for all activities and provide guidance on each form, including when and how to complete them.

In addition to the above controls required by Board Policy, the Treasurer’s Office has established procedures to monitor student activities and requests forms and supporting documentation from advisors when they are not submitted in a timely manner.

The District’s current policy governs all student activities, but does not provide a specific definition for “fundraiser” or explain exactly what is required for different activities (i.e. sales, events, camps, etc.). Advisors are not required to acknowledge receipt of policies. In addition, the Sales Project Form and Ticket Accountability Form currently used by the District are not the forms in the policy. The current policy also does not address netting of receipts and expenses of the activity (i.e. spending the proceeds before remitting all receipts) and does not specifically prohibit advisors from depositing amounts collected into their personal bank accounts.

According to the District’s Policy, the Sales Project Form is required at the completion of any fund raiser. Sales Projects Forms and/or supporting documentation for receipts were not submitted by advisors until the documentation was requested by the auditors for the nineteen of the District’s extracurricular activities.

For the following activities, the Sales Project Form and supporting documentation provided by the advisors when requested by the auditors agreed to the amounts collected:

<u>Fund/Activity</u>	<u>Type of Sale</u>	<u>Amount collected</u>
High School Prom	Senior vs Staff Basketball Game	\$422
Boys Tennis	Community Tennis Tournament	530
Boys Soccer	Soccer Camp	840
Middle School Band	Pizza Sales	893
Girls Tennis	Entertainment Book Sales	510
Etna Elementary	Entertainment Book Sales	4,620
Boys Basketball	Apparel Sale	2,035

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

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

**FINDING NUMBER 2006-001 (Continued)**

**Reportable Condition – Extracurricular Activities (Continued)**

The Baseball Team did not submit a Sales Project Form for the sale of baseball banners until requested by the auditors. No other supporting documentation, including the number of banners sold, fee schedule for banners, or banners purchased, was provided by the advisor.

For the following activities, the Sales Project Forms and original supporting documentation provided by the advisors when requested by the auditors did not agree to amounts collected and additional documentation was required or additional audit procedures were performed:

<u>Fund/Activity</u>	<u>Type of Sale</u>	<u>Amount collected</u>
Baseball	OSU Commissions	436
Volleyball	Warrior Club Camp	1,525
Softball	Candle Sale	3,202
Boys Basketball	Basketball Camp	1,100
Softball	Golf Players Passes	1,364
Wrestling	Wrestling Tournament	1,368
Wrestling	Wrestling Fees	4,017

For the following activities, the Sales Project form and supporting documentation provided by the advisors when requested by the auditors did not agree to amounts collected and additional documentation provided when requested also did not support the amounts collected:

<u>Fund/Activity</u>	<u>Type of Sale</u>	<u>Amount collected</u>
Middle School	Entertainment Book Sales	12,775
Baseball	Golf Players Passes	1,000
Swimming	Entertainment Book Sales	390
Wrestling	Wrestling Clinic	4,210

Activity advisors did not always maintain appropriate supporting documentation for amounts collected, including copies of checks, a listing of all individuals participating in the activity and the price paid by each, copies of any additional donations received at the time of the sale, copies of any checks submitted by vendors

In addition to the above, the activity advisor for the Swimming Entertainment Book Sale deposited all funds collected into his personal account and then remitted the amount collected to the District via a personal check and the activity advisor for the Wrestling Clinic kept \$600 of the fees collected to buy t-shirts for participants.

The lack of clear established policies and procedures over student activities and advisors not following established control procedures both contribute to an overall weak control environment and increase the risk of undetected errors and fraud. In addition, this resulted in the findings for recoveries described in Findings 2006-004 through 2006-007.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-001 (Continued)**

**Reportable Condition – Extracurricular Activities (Continued)**

To improve the control environment over these activities and reduce the risk of undetected errors and fraud, we recommend

1. The District revise/clarify its Student Activities Policies and Procedures to
  - define “fundraiser”
  - describe the requirements for different activity types (i.e. sale, event, camp, etc.)
  - provide guidance for the types of documentation advisors should maintain for a proper audit trail (copies of any donation checks, rosters, lists of participants, reconciliation of participants with payments received and deposited) and the time requirements for maintaining that information
  - require that all funds collected be deposited with the school and that expenses be paid through the normal purchasing process.
2. The District update the example forms in the policy to those currently used by the District. The revised policies should be distributed to all activity advisors and they should be required to acknowledge the receipt of such policies in writing.
3. The Treasurer’s Office continue to monitor these activities to ensure sales project forms have been completed and submitted by activity advisors.
4. The Treasurer should also periodically report any significant delinquencies in providing the required information to the Board of Education.

**Officials’ Response:** The District will continue to work with our staff members to provide guidance and training on the policies and procedures the staff members must follow before, during and after completing fund raisers. Our hope is that with mandatory training and an updated student activity handbook, the District and our staff members will be better prepared to run fundraisers.

**FINDING NUMBER 2006-002**

**Material Noncompliance**

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

Ohio Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with Generally Accepted Accounting Principles (GAAP).

The accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time. The District may be fined and various other administrative remedies may be taken against the District.

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

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-002 (Continued)**

**Material Noncompliance (Continued)**

**Officials' Response:** For the fiscal year ended June 30, 2007, the District will prepare its financial statements in accordance with GAAP.

**FINDING NUMBER 2006-003**

**Material Noncompliance**

Ohio Rev. Code Section 9.38 requires public money to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

This section also stipulates that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day. Formal policies have not been adopted by the Board.

Thirty six percent of athletic gate admission receipts and twenty five percent of student activity receipts were not deposited in a timely manner. Deposits were held up to two weeks before deposit with the District's Treasurer and/or financial institution.

We recommend the District develop a written policy for depositing funds. The policy should include procedures to safeguard the assets during the intervening period and should require that activity advisors acknowledge that the policy has been given to them.

**Officials' Response:** The District will continue to work with our staff members to try to ensure all moneys are deposited in accordance with Ohio Rev. Code Section 9.38.

**FINDING NUMBER 2006-004**

**Finding for Recovery Repaid Under Audit – Middle School Entertainment Books**

Ohio Rev. Code Section 3315.062(B) requires that monies received from a student activity program in excess of fifty dollars per year be paid into an activity fund. The Board of Education is required to adopt regulations governing the establishment and maintenance of such funds, including a system of accounting to separate and verify each transaction and to show the sources from which the fund revenue is received, the amount collected from each source, and the amount expended for each purpose. Expenditures from such funds are subject to the approval of the Board of Education. According to the *Guidelines for Developing Policies for Student Activity Programs*, developed by the Auditor of State in compliance with the Ohio Administrative Code, the duties and responsibilities of the advisors/sponsors are at the direction of the Board of Education and should consist of, among others, supervising the activities of the activity group, including preparation of fund raising potentials, proofs of cash, and other appropriate documentation.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-004 (Continued)**

**Finding for Recovery Repaid Under Audit – Middle School Entertainment Books (Continued)**

During fiscal year 2006, the District's Middle School held a fundraiser selling Entertainment Books. The principal of the School, Lynn Lanning, was responsible for the sale. Mr. Lanning did not submit a Sales Project Form at the completion of the fundraiser in October 2005.

Mr. Lanning prepared a Sales Project Form in January 2007. This form indicated that the School sold 416 books and that \$12,465 should have been collected and submitted to the District Treasurer. The amounts deposited for this sale only totaled \$12,275, a shortage of \$190.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money due but not collected would have been issued against Lynn Lanning, Former Middle School Principal, in the amount of \$190 and in favor of the in favor of the Public School Support – Middle School Principal's Fund.

**Officials' Response:** The finding of \$190 was repaid by Mr. Lanning to the Public School Support – Middle School Principal's Fund on April 12, 2007.

**FINDING NUMBER 2006-005**

**Finding for Recovery Repaid Under Audit – Baseball Team Golf Passes**

Ohio Rev. Code Section 3315.062(B) requires that monies received from a student activity program in excess of fifty dollars per year be paid into an activity fund. The Board of Education is required to adopt regulations governing the establishment and maintenance of such funds, including a system of accounting to separate and verify each transaction and to show the sources from which the fund revenue is received, the amount collected from each source, and the amount expended for each purpose. Expenditures from such funds are subject to the approval of the Board of Education. According to the *Guidelines for Developing Policies for Student Activity Programs*, developed by the Auditor of State in compliance with the Ohio Administrative Code, the duties and responsibilities of the advisors/sponsors are at the direction of the Board of Education and should consist of, among others, supervising the activities of the activity group, including preparation of fund raising potentials, proofs of cash, and other appropriate documentation.

During fiscal year 2006, the District's Baseball team held a fundraiser selling Golf Players Passes through Varsity Gold. The Baseball Coach, Don Schone, was responsible for the sale. Mr. Schone did not submit a Sales Project Form for this fundraiser.

Based on information provided by Varsity Gold, each players pass is sold for \$40. Varsity Gold was to receive \$20 and the District \$20 for each pass sold. The Baseball team sold a total of 91 passes and, therefore, The District should have received \$1,820. The amount deposited by Mr. Schone was \$1,000, a shortage of \$820.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money due but not collected would have been issued against Donald Schone, Baseball Coach, in the amount of \$820 and in favor of the District Managed Activities – Baseball Fund.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-005 (Continued)**

**Finding for Recovery Repaid Under Audit – Baseball Team Golf Passes (Continued)**

**Officials' Response:** The finding of \$820 was paid to the District Managed Activities – Baseball Fund on May 30, 2007.

**FINDING NUMBER 2006-006**

**Finding for Recovery – Swim Team Entertainment Books**

Ohio Rev. Code Section 3315.062(B) requires that monies received from a student activity program in excess of fifty dollars per year be paid into an activity fund. The Board of Education is required to adopt regulations governing the establishment and maintenance of such funds, including a system of accounting to separate and verify each transaction and to show the sources from which the fund revenue is received, the amount collected from each source, and the amount expended for each purpose. Expenditures from such funds are subject to the approval of the Board of Education. According to the *Guidelines for Developing Policies for Student Activity Programs*, developed by the Auditor of State in compliance with the Ohio Administrative Code, the duties and responsibilities of the advisors/sponsors are at the direction of the Board of Education and should consist of, among others, supervising the activities of the activity group, including preparation of fund raising potentials, proofs of cash, and other appropriate documentation.

During fiscal year 2006, the District's Swim Team held a fundraiser selling Entertainment Books. The Swimming Coach, Jake Deeds, was responsible for the sale. Mr. Deeds did not submit a Sales Project Form at the completion of the sale in November 2005.

The Fund Raising Approval Request Form completed prior to the sale indicated that the books would be sold for \$30 each and that the team anticipated a profit of \$200. No amended Fund Raising Approval Request Form was submitted reducing the proposed selling price of the books to \$20 each.

Mr. Deeds prepared a Sales Project Form in January 2007. This form indicated that the team sold 18 books for \$20 each and 1 book for \$30, for a total of \$390. The form also indicated that the books were sold at cost to parents and the sale was not a fundraiser. Mr. Deed's explanation of the one book sold for \$30 was that this person had already paid \$30 before everyone was told they only had to pay \$20.

We were unable to review any supporting documentation (i.e. pay-in, duplicate receipts, etc.) that would evidence the amounts charged for these books because Mr. Deeds deposited all amounts collected, with the exception of the one \$30 payment, into his personal bank account and subsequently wrote the School a check for \$360.

Based on the above, it appears that the books should have been sold at a rate of \$30 per book and that \$570 should have been collected. A total of \$390 was deposited, a shortage of \$180.

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-006 (Continued)**

**Finding for Recovery – Swim Team Entertainment Books (Continued)**

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money due but not collected is hereby issued against Jake Deeds, Swimming Coach, in the amount of \$180 and in favor of the District Managed Activities – Swim Team Fund.

**Officials' Response:** The District will contact Mr. Deeds and try to get this issue resolved before it is sent to the County Prosecutor.

**FINDING NUMBER 2006-007**

**Finding for Recovery Repaid Under Audit – Wrestling Clinic**

Ohio Rev. Code Section 3315.062(B) requires that monies received from a student activity program in excess of fifty dollars per year be paid into an activity fund. The Board of Education is required to adopt regulations governing the establishment and maintenance of such funds, including a system of accounting to separate and verify each transaction and to show the sources from which the fund revenue is received, the amount collected from each source, and the amount expended for each purpose. Expenditures from such funds are subject to the approval of the Board of Education. According to the *Guidelines for Developing Policies for Student Activity Programs*, developed by the Auditor of State in compliance with the Ohio Administrative Code, the duties and responsibilities of the advisors/sponsors are at the direction of the Board of Education and should consist of, among others, supervising the activities of the activity group, including preparation of fund raising potentials, proofs of cash, and other appropriate documentation.

During fiscal year 2006, the District held a wrestling clinic. The cost of participating in the clinic was \$65 per child. The Wrestling Coach, Eddie Jayne, was responsible for collecting the fee. Mr. Jayne did not submit a Sales Project Form for this activity.

Based on information provided by Mr. Jayne, there were 74 participants in the clinic. The fee for one participant was waived. A total of \$4,745 should have been collected for this activity. The amount deposited by Mr. Jayne was \$4,210, a shortage of \$535. Mr. Jayne indicated that this \$535 was used to buy t-shirts for participants, but he could not provide any evidence of t-shirts purchased with these funds.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money due but not collected would have been issued against Eddie Jayne, Wrestling Coach, in the amount of \$535 and in favor of the District Managed Activities – Wrestling Fund.

**Officials' Response:** The finding of \$535 was repaid by Mr. Jayne to the District Managed Activities – Wrestling Fund on April 24, 2007.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.



**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Internal Controls over Student Activities – completion of Sales Potential Forms	No	Repeated as Finding 2006-001
2005-002	Internal Controls over Athletic Gate Admission Receipts – completion/submission of Ticket Accountability Forms	Yes	
2005-003	Ohio Admin. Code Section 117-2-03(B), failure to prepare financial statements in accordance with GAAP.	No	Repeated as Finding 2006-002
2005-004	Ohio Rev. Code 9.38, timely deposit of public money	No	Repeated as Finding 2006-003





**Mary Taylor, CPA**  
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  
AUGUST 16, 2007**