

**SOUTHWEST LICKING DIGITAL ACADEMY
(A Component Unit of Southwest Licking Local School District)
LICKING COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2009**

RICHARD JONES, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Directors
Southwest Licking Digital Academy
927-A South Street
Pataskala, Ohio 43062

We have reviewed the *Independent Auditor's Report* of the Southwest Licking Digital Academy, Licking County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 19, 2010

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SOUTHWEST LICKING DIGITAL ACADEMY
(A Component Unit of Southwest Licking Local School District)
LICKING COUNTY, OHIO

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Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

Board of Directors
Southwest Licking Digital Academy
927-A South Street
Pataskala, Ohio 43062

We have audited the accompanying financial statements of the Southwest Licking Digital Academy, Licking County, Ohio, a component unit of Southwest Licking Local School District, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Southwest Licking Digital Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Southwest Licking Digital Academy's management. Our responsibility is to express an opinion 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 obtain reasonable assurance about 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southwest Licking Digital Academy, as of June 30, 2009, and the respective changes in financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of the Southwest Licking Digital Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Southwest Licking Digital Academy
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The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 30, 2009

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Management's Discussion and Analysis
For the Year Ended June 30, 2009
(Unaudited)

The management's discussion and analysis of the Southwest Licking Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. Readers should also review our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the Academy's financial performance.

Financial Highlights

The total assets of the Academy were \$21,534 as of June 30, 2009 and the total liabilities were \$14,543 at fiscal year end. Net assets of the Academy totaled \$6,991, a decrease of \$10,916 from the prior year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34.

Report Components

The statement of net assets and the statement of revenues, expenses and changes in net assets provide information about the Academy as a whole.

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

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the Academy did financially during the year ended June 30, 2009. The change in net assets is important because it tells the reader whether the financial position of the Academy has increased or decreased during the period. Over time, these increases and /or decrease are one indicator of whether the financial position is improving or deteriorating.

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Academy has elected to present its financial statements on an Accrual basis of accounting. Under the Academy's accrual basis of accounting, revenues and expenses are recorded when incurred rather than when cash is received or paid. The Academy uses enterprise presentation for all of its activities.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Management's Discussion and Analysis
For the Year Ended June 30, 2009
(Unaudited)

Financial Analysis

Table 1 provides a summary of the Academy's net assets for 2009:

Table 1
Net Assets at Year End

	2009	2008
Cash and Cash Equivalents	\$ 20,039	\$ 23,217
Accounts Receivable	211	828
Depreciable Capital Assets, Net	1,284	1,435
Total Assets	21,534	25,480
Accounts Payable	14,543	2,127
Intergovernmental Payable	-	5,446
Total Liabilities	14,543	7,573
Invested in Capital Assets, net of Related Debt	1,284	1,435
Unrestricted	5,707	16,472
Total Net Assets	\$ 6,991	\$ 17,907

At year end, the Academy has no assets that are subject to external restrictions on how they may be used.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Management's Discussion and Analysis
For the Year Ended June 30, 2009
(Unaudited)

Financial Analysis

Table 2 provides a summary of the Academy's change in net assets for 2009:

Table 2
Changes in Net Assets

	2009	2008
Operating Revenues:		
Foundation Revenues	\$ 308,319	\$ 329,768
Miscellaneous Revenues	211	828
Total Operating Revenues	<u>308,530</u>	<u>330,596</u>
Operating Expenses:		
Purchased Services	319,021	335,578
Supplies and Materials	16,770	2,991
Depreciation	151	76
Other	3,764	6,154
Total Operating Expenses	<u>339,706</u>	<u>344,799</u>
Operating Income (Loss)	<u>(31,176)</u>	<u>(14,203)</u>
Nonoperating Revenues		
Federal Grants	16,318	7,292
State Grants	3,000	3,000
Interest Earnings	942	3,324
Total Nonoperating Revenues	<u>20,260</u>	<u>13,616</u>
Change in Net Assets	(10,916)	(587)
Net Assets, Beginning of Year	<u>17,907</u>	<u>18,494</u>
Net Assets, End of the Year	<u><u>\$ 6,991</u></u>	<u><u>\$ 17,907</u></u>

The decreases in Foundation Revenues and Purchased Services Expenses are primarily the result of the Academy's 14% decrease in enrollment from fiscal year 2008 to fiscal year 2009.

The Academy received additional federal grant revenue during fiscal year 2009 to purchase additional equipment.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Management's Discussion and Analysis
For the Year Ended June 30, 2009
(Unaudited)

Budget Highlights

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

Capital Assets and Debt Administration

As of fiscal year end, the Academy has \$1,284 invested in capital assets. This amount represents \$1,511 in capital assets at cost, offset by accumulated depreciation of \$227.

Debt

As of fiscal year end, the Academy has no outstanding debt.

Current Issues

The Academy was incorporated in March of 2003 and has used Tri-Rivers Educational Computer Association (TRECA) since the inception to provide most if its instructional and administrative services. The Academy will continue to utilize TRECA for these services in fiscal year 2010. The Academy plans to continue to offer the same services in the next fiscal year and is hopeful enrollment will continue to grow.

Although the Academy does not have a ceiling for student enrollment, we do not expect a significant change in the next fiscal year.

Contacting the Academy's Financial Management

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

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

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009**

Assets	
Cash and Cash Equivalents	\$ 20,039
Accounts Receivable	211
Depreciable Capital Assets, Net	1,284
Total Assets	<u>21,534</u>
Liabilities	
Accounts Payable	14,543
Total Liabilities	<u>14,543</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,284
Unrestricted	5,707
Total Net Assets	<u>\$ 6,991</u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating Revenues:	
Foundation Revenues	\$ 308,319
Miscellaneous Revenues	211
Total Operating Revenues	<u>308,530</u>
Operating Expenses:	
Purchased Services	319,021
Supplies and Materials	16,770
Depreciation	151
Other	3,764
Total Operating Expenses	<u>339,706</u>
Operating Income (Loss)	<u>(31,176)</u>
Non-Operating Revenues:	
Federal Grants	16,318
State Grants	3,000
Interest Earnings	942
Total Non-Operating Revenues	<u>20,260</u>
Change in Net Assets	(10,916)
Net Assets at Beginning of Year	17,907
Net Assets at End of Year	<u><u>\$ 6,991</u></u>

See accompanying notes to the basic financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Cash Flows From Operating Activities	
Cash Received from Government	\$ 302,873
Cash Received from Other Sources	828
Cash Paid for Services	(306,605)
Cash Paid for Other Expenses	(20,534)
Net cash used by operating activities	<u>(23,438)</u>
Cash Flows From Noncapital Financing Activities	
Subsidy from state and federal grants	<u>19,318</u>
Net cash provided by noncapital financing activities	<u>19,318</u>
Cash Flows From Investing Activities	
Interest Received	<u>942</u>
Net cash provided by investing activities	<u>942</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,178)
Cash and Cash Equivalents at Beginning of Year	<u>23,217</u>
Cash and Cash Equivalents at End of Year	<u>\$ 20,039</u>
Reconciliation of Operating Income/ (Loss) to Net Cash Provided by (Used by) Operating Activities:	
Operating Income/(Loss)	\$ (31,176)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:	
Add Depreciation Expense	151
Change in Assets and Liabilities	
Decrease in Accounts Receivable	617
Increase in Accounts Payable	12,416
Decrease in Intergovernmental Payable	<u>(5,446)</u>
Total Adjustments	<u>7,587</u>
Net Cash Used by Operating Activities	<u>\$ (23,438)</u>

See accompanying notes to the basic financial statements.

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

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 1 – Description of the School Academy and Reporting Entity

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

The Academy was formally created on January 9, 2003, by entering a five year contract with the Southwest Licking Local School District (the Sponsor) for fiscal years 2003 through 2007. Then on June 21, 2007, the Academy entered into a new five year contract for fiscal years 2008 through 2012. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The Treasurer for the Academy is also the Treasurer for the Southwest Licking Local School District. See Note 7 for additional information regarding the sponsorship agreement with the Sponsor.

The Academy purchased the services of Tri-Rivers Educational Computer Association (TRECA) to provide instructional, administrative and technical services during the fiscal year. See Note 6 for information regarding the contract between the Academy and TRECA.

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

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

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

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The Academy's most significant accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. These statements are prepared on the accrual basis of accounting as further described in Note 2 C.

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

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

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

E. Cash and Cash Equivalents

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

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments with maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with maturities greater than three months at the time they are purchased are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. The Academy had no restricted assets for the year ended June 30, 2009.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expense is reported in the year which services are consumed. At fiscal year-end, prepaid items are not available to finance future net asset expenses. The Academy had no prepaid items for the year ended June 30, 2009.

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. The Academy had no inventory for the year ended June 30, 2009.

I. Capital Assets

All capital assets are capitalized at cost and updated for any additions and retirements during the fiscal year. The Academy's capitalization threshold is one thousand dollars. Capital assets consist of computers and computer equipment. The Academy's capital assets are depreciated using the straight-line method over a range of 5-10 years of useful life.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Accumulated Leave

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

K. Accrued Liabilities and Long-Term Obligations

All accrued liabilities and long-term debt is reported on the statement of net assets. The Academy had no long-term obligations at the end of the fiscal year.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The Academy had no restricted net assets for the year ended June 30, 2009.

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

M. Operating Revenues and Expenses

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

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 3 – Deposits and Investments

A. Deposits

At fiscal year-end the carrying amount of the Academy's deposits was negative \$119,851, exclusive of the \$139,890 repurchase agreement included in investments below, and the bank balance was \$5,000. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero-balance" nature of the Academy's bank account. The entire bank balance was covered by federal depository insurance.

B. Investments

As of June 30, 2009, the Academy's only investment was a repurchase agreement in the amount of \$139,890, all of which may be withdrawn on demand.

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

Credit Risk: The Academy has no investment policy that addresses credit risk. The investments underlying the Academy's repurchase agreements were rated AAA.

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

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issuer except commercial paper. At June 30, 2009, the only investment held by the Academy was a repurchase agreement.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 4 – Capital Assets

A summary of capital asset activity for the fiscal year follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 1,511	\$ -	\$ -	\$ 1,511
Less Accumulated Depreciation	(76)	(151)	-	(227)
Depreciable Capital Assets, Net	<u>\$ 1,435</u>	<u>\$ (151)</u>	<u>\$ -</u>	<u>\$ 1,284</u>

Note 5 – Risk Management

Property and Liability

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

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

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

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Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 6 – Contract with the Tri-Rivers Educational Computer Association

The Academy entered into a one year contact with the Tri-Rivers Educational Computer Association (TRECA) on June 15, 2009 for the period July 1, 2008 through June 30, 2009. Under the contract, the following terms were agreed upon:

- TRECA shall provide the Academy with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Academy's educational plan and the Academy's assessment and accountability plan.
- All personnel providing services to the Academy on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided by TRECA to the Academy shall include access to, and the use of, computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- The Academy shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the Academy.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- The Academy shall pay to TRECA \$3,875 per full-time student enrolled in the Academy during the 2008-2009 academic year or pro rated per portion thereof; part-time students may be enrolled on such terms as are agreed to by the parties.

During the year ended June 30, 2009, the Academy paid TRECA \$143,693 for these services. On June 15, 2009, the Academy entered into a one year contract with TRECA for fiscal year 2010. To obtain TRECA's audited June 30, 2009 financial statements, contact Scott Armstrong, Treasurer, at scott@treca.org or call 740-389-4798.

Note 7 – Fiscal Agent and Payment to Sponsor

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

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

During the year ended June 30, 2009, the Academy paid the Sponsor \$161,245 for the services defined above.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 8 – Contingencies

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability for the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

B. Litigation

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

C. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which foundation funding is calculated. The fiscal 2009 review found the Academy was properly funded.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Directors
Southwest Licking Digital Academy
927-A South Street
Pataskala, Ohio 43062

We have audited the financial statements of Southwest Licking Digital Academy, Licking County, Ohio, a component unit of Southwest Licking Local School District as of and for the fiscal year ended June 30, 2009 and have issued our report thereon dated November 30, 2009. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Licking Digital Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Licking Digital Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southwest Licking Digital Academy's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Southwest Licking Digital Academy's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Southwest Licking Digital Academy's financial statements that is more than inconsequential will not be prevented or detected by Southwest Licking Digital Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Southwest Licking Digital Academy's internal control.

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

Board of Directors
Southwest Licking Digital Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Licking Digital Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Directors of Southwest Licking Digital Academy and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 30, 2009



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Directors:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 20, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
3. We read the policy and noted that it did not contain the following procedure in accordance with Ohio Revised Code Section 3313.666(B):
- (1) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the Board of Directors of Southwest Licking Digital Academy and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
November 30, 2009



Mary Taylor, CPA
Auditor of State

SOUTHWEST LICKING DIGITAL ACADEMY

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 2, 2010**