

**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, 2011**

RICHARD JONES, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Southwest Licking Digital Academy, Licking County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. 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.

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

Dave Yost
Auditor of State

December 30, 2011

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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 Accountants' Report

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

To the Board of Directors:

We have audited the accompanying financial statements of the Southwest Licking Digital Academy, Licking County, Ohio, a component unit of the Southwest Licking Local School District, as of and for the fiscal year ended June 30, 2011, 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 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 opinion.

Ohio Administrative Code § 117-2-03 (B) requires the Southwest Licking Digital Academy 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 cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. 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 cash financial position of the Southwest Licking Digital Academy, Licking County, Ohio as of June 30, 2011, and respective changes in cash financial position for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

For fiscal year 2011, the Southwest Licking Digital Academy changed its accounting basis from accounting principles generally accepted in the United States of America to the cash basis of accounting. See Note 3 for further information.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011 on our consideration of the Southwest Licking Digital Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.

Board of Directors
Southwest Licking Digital Academy
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the cash basis basic financial statements. Although this information is not part of the cash basis basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the cash basis basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the cash basis basic financial statements, and other knowledge we obtained during our audit of the cash basis basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

Julian & Grube, Inc.
October 28, 2011

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, 2011
(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, 2011. 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 \$20,000 as of June 30, 2011. Net assets of the Academy totaled \$20,000, an increase of \$2,688 from the prior year.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of receipts, disbursements, 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 receipts, disbursements, and changes in net assets reflect how the Academy did financially during the year ended June 30, 2011. The change in net assets is important because it tells the reader whether the cash position of the Academy has increased or decreased during the period.

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

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Management's Discussion and Analysis
For the Year Ended June 30, 2011
(Unaudited)

Basis of Accounting

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

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

Financial Analysis

Table 1 provides a summary of the Academy's net assets for 2011:

Table 1
Net Assets at Year End

	2011	As Restated 2010
Assets:		
Cash and Cash Equivalents	\$ 20,000	\$ 17,312
Total Assets	20,000	17,312
Net Assets:		
Unrestricted	20,000	17,312
Total Net Assets	\$ 20,000	\$ 17,312

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

In fiscal year 2010 the Academy prepared its basic financial statements in accordance with generally accepted accounting principles. However, in fiscal year 2011 the Academy decided to prepare the financial statements on the cash basis of accounting. Fiscal year 2010 amounts for tables 1 and 2 have been restated to reflect the change in the basis of accounting.

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, 2011
(Unaudited)

Financial Analysis

Table 2 provides a summary of the Academy's change in net assets for 2011:

Table 2
Changes in Net Assets

	2011	As Restated 2010
Operating Revenues:		
Foundation Revenues	\$ 185,837	\$ 226,955
Miscellaneous Revenues	-	211
Total Operating Revenues	185,837	227,166
Operating Expenses:		
Purchased Services	205,606	251,550
Supplies and Materials	3,807	162
Capital Outlay	11,327	1,574
Other	2,526	2,382
Total Operating Expenses	223,266	255,668
Operating Income (Loss)	(37,429)	(28,502)
Nonoperating Revenues		
Federal Grants	37,026	22,542
State Grants	3,000	3,000
Interest Earnings	91	233
Total Nonoperating Revenues	40,117	25,775
Change in Net Assets	2,688	(2,727)
Net Assets, Beginning of Year, As Restated	17,312	20,039
Net Assets, End of the Year	\$ 20,000	\$ 17,312

The significant decrease in Foundation Revenues is the result of the Academy's 18% decrease in enrollment from fiscal year 2010 to fiscal year 2011.

The significant decrease in expenses is primarily the result of the Academy's 18% decrease in enrollment.

The Academy received additional federal grant revenue during fiscal year 2011.

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, 2011
(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.

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 2012. 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- CASH BASIS
AS OF JUNE 30, 2011**

Assets	
Cash and Cash Equivalents	\$ 20,000
Total Assets	<u> 20,000</u>
Net Assets	
Unrestricted	20,000
Total Net Assets	<u><u> \$ 20,000</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 RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS- CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Operating Receipts:	
Foundation Receipts	\$ 185,837
Total Operating Receipts	<u>185,837</u>
Operating Disbursements:	
Purchased Services	205,606
Supplies and Materials	3,807
Capital Outlay	11,327
Other	2,526
Total Operating Disbursements	<u>223,266</u>
Operating Income (Loss)	<u>(37,429)</u>
Non-Operating Receipts:	
Federal Grants	37,026
State Grants	3,000
Interest Earnings	91
Total Non-Operating Receipts	<u>40,117</u>
Change in Net Assets	2,688
Net Assets at Beginning of Year, As Restated	17,312
Net Assets at End of Year	<u>\$ 20,000</u>

See accompanying notes to the basic financial statements.

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 6 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 8 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 Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Academy has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. Following are the more significant of the Academy's accounting policies.

A. Basis of Presentation

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

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

B. Basis of Accounting

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

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

C. Budgetary Process

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

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

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

For purposes of the presentation on the statement of net 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.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws or other governments or imposed by enabling legislation. The Academy had no restricted assets for the year ended June 30, 2011.

F. Prepaid Items

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

G. Inventory

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Accrued Liabilities and Long-Term Obligations

The Academy's cash basis financial statements do not report liabilities for accrued liabilities and long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 2 – Summary of Significant Accounting Policies (Continued)

K. 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, 2011.

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.

L. Operating Receipts and Disbursements

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

Note 3 – Change in Basis of Accounting and Restatement of Net Assets

A. Change in Basis of Accounting

For fiscal year 2011, the District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2B.

B. Restatement of Net Assets

The implementation of this change had the following effects on net assets of the Academy as they were previously reported.

		Net Assets
Net Assets June 30, 2010	\$	1,828
Eliminate Capital Assets		(2,550)
Eliminate Payables		18,034
Adjusted Net Assets June 30, 2010	\$	17,312

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

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 – Compliance

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

Note 5 – Deposits and Investments

A. Deposits

At fiscal year-end the carrying amount of the Academy's deposits was negative \$72,323, exclusive of the \$92,323 repurchase agreement included in investments below, and the bank balance was \$5,000. There was no actual overdraft due to the "zero-balance" nature of the Academy's bank account. The entire bank balance was covered by federal depository insurance.

B. Investments

As of June 30, 2011, the Academy's only investment was a repurchase agreement in the amount of \$92,323, 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, 2011, 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 Fiscal Year Ended June 30, 2011

Note 6 – 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. 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 three fiscal years. There has been no significant reduction in insurance coverage from the prior fiscal year.

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, 2011, the Academy paid the Sponsor \$90,405 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 Fiscal Year Ended June 30, 2011

Note 8 – Contract with the Tri-Rivers Educational Computer Association

The Academy entered into a one year contract with the Tri-Rivers Educational Computer Association (TRECA) on June 16, 2010 for the period July 1, 2010 through June 30, 2011. 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 \$3,900 per full-time student enrolled in the Academy during the 2010-2011 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, 2011, the Academy paid TRECA \$100,954 for these services. For fiscal year 2012, the Academy entered into a one year contract with Virtual Community School of Ohio. To obtain TRECA's audited June 30, 2011 financial statements, contact Scott Armstrong, Treasurer, at scott@treca.org or call 740-389-4798.

Note 9 – 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, 2011.

Southwest Licking Digital Academy
(A Component Unit of Southwest Licking Local School District)
Licking County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 – Contingencies (Continued)

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 year 2011 review has not been completed; however, the Academy does not expect any material adjustments in fiscal year 2012.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Directors:

We have audited the financial statements of the Southwest Licking Digital Academy, Licking County, Ohio, a component unit of the Southwest Licking Local School District, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Southwest Licking Digital Academy's basic financial statements and have issued our report thereon dated October 28, 2011, which emphasized the Southwest Licking Digital Academy changed its reporting format to the cash basis, which is an other comprehensive basis of accounting not in accordance with accounting principles generally accepted in the United States of America. 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 Southwest Licking Digital Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Southwest Licking Digital Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Southwest Licking Digital Academy's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Southwest Licking Digital Academy's financial statements will not be prevented, or detected and timely corrected.

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

Board of Directors
Southwest Licking Digital Academy

Compliance and Other Matters

As part of reasonably assuring whether the Southwest Licking Digital Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2011-SLDA-001.

The Southwest Licking Digital Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Southwest Licking Digital Academy's response and accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management, Board of Directors, and others within the Southwest Licking Digital Academy. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.
October 28, 2011

**SOUTHWEST LICKING DIGITAL ACADEMY
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2011**

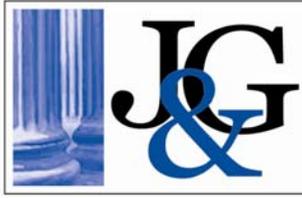
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-SLDA-001

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

Ohio Administrative Code Section 117-2-03(B) requires the Southwest Licking Digital Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The Southwest Licking Digital Academy prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the Southwest Licking Digital Academy being fined or other administrative remedies.

The Southwest Licking Digital Academy should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The Southwest Licking Digital Academy's management is aware of the requirements to file financial statements in accordance with GAAP; however, after performing a cost-benefit analysis, management has elected to prepare its financial statements utilizing the cash basis of accounting.



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 13, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
October 28, 2011



Dave Yost • 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
JANUARY 12, 2012**