



Dave Yost • Auditor of State

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Switzerland of Ohio Local School District
Monroe County
304 Mill Street
Woodsfield, Ohio 43793

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education (ODE) on July 31, 2010 based on the 5 year forecast. Note 21 to the financial statements indicates that a plan was presented to ODE to address the projected deficit. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2014

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Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Switzerland of Ohio Local School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. The MD&A should be read in conjunction with the School District's basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities decreased \$3,151,337.
- General revenues accounted for \$27,764,996 in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,542,447 or 14 percent of total revenues of \$32,307,443.
- Total assets of governmental activities decreased by \$3,979,626 and total liabilities and deferred inflows of resources decreased \$828,289.
- The School District had \$35,458,780 in expenses related to governmental activities; only \$4,542,447 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily intergovernmental revenues and property taxes) of \$27,764,996 were not adequate to provide for these programs.

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 Switzerland of Ohio Local School District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific financial activities and conditions.

The *Statement of Net Position* and *Statement of Activities* 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 also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

Government-Wide Financial Statements

Statement of Net Position and the Statement of Activities

While these documents contain 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 the 2012-2013 fiscal year?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all *assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

These two statements report the School District's *net position* and *changes* in net position. This change in net position 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 Position and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities including instruction, support services, operation of non-instructional services (including food service operations), extracurricular activities, and interest expense.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 a multitude of 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, the Bond Retirement Debt Service Fund, and the Ohio School Facilities Commission (OSFC) Project Capital Projects 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 year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government 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 relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is the accrual basis of accounting, much like that used for business-type activities.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012:

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 1
Net Position

	<u>Governmental Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Assets			
Current and Other Assets	\$33,172,666	\$62,583,407	(\$29,410,741)
Capital Assets	<u>82,541,230</u>	<u>57,110,115</u>	<u>25,431,115</u>
Total Assets	<u>115,713,896</u>	<u>119,693,522</u>	<u>(3,979,626)</u>
Liabilities			
Long-Term Liabilities	36,019,762	36,601,684	(581,922)
Other Liabilities	<u>6,149,571</u>	<u>7,977,686</u>	<u>(1,828,115)</u>
Total Liabilities	<u>42,169,333</u>	<u>44,579,370</u>	<u>(2,410,037)</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance			
Current Year Operations	<u>10,413,038</u>	<u>8,831,290</u>	<u>1,581,748</u>
Net Position			
Net Investment in Capital Assets	52,196,082	41,769,596	10,426,486
Restricted	12,615,382	26,217,468	(13,602,086)
Unrestricted (Deficit)	<u>(1,679,939)</u>	<u>(1,704,202)</u>	<u>24,263</u>
Total Net Position	<u><u>\$63,131,525</u></u>	<u><u>\$66,282,862</u></u>	<u><u>(\$3,151,337)</u></u>

Total assets decreased \$3,979,626. Current and other assets decreased in the amount of \$29,410,741. Approximately \$28 million of this decrease is attributable to a portion of the increase in capital assets due to unspent debt proceeds and intergovernmental receivables being capitalized as construction in progress. As construction progresses, the School District is spending the amount it has on hand and also the amount granted to them by the State. This grant is part of the continued participation in the Ohio School Facilities Commission (OSFC) building project. In addition, current year depreciation in the amount of \$773,533 has netted the current year capitalizations resulting in a net increase in capital assets of \$25,431,115.

In total, liabilities decreased by \$2,410,037. A current year refunding attributed to the decrease in long-term liabilities allowing the School District to realize a refunding difference of \$492,657. Contracts payable decreased in the amount of \$1,795,945. These contracts are associated with the OSFC building project and reflect the timing of bills paid at year-end.

By comparing assets and liabilities, one can see the overall position of the School District has decreased as evidenced by the decrease in net position in the amount of \$3,151,337. The biggest changes are in net investment in capital assets and restricted net positions. As mentioned above, unspent debt proceeds and a portion of intergovernmental receivables that were restricted to capital outlay are now being reflected as net investment in capital assets. The remaining decrease in restricted net position can be attributed to the decrease in the OSFC building project grant as described above.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
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Unaudited

Table 2 shows the changes in net position for fiscal year 2013, and comparisons to fiscal year 2012:

	Table 2		
	Changes in Net Position		
	<u>Governmental Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services and Sales	\$616,899	\$645,040	(\$28,141)
Operating Grants and Contributions	3,925,548	3,946,732	(21,184)
Capital Grants and Contributions	0	96,023	(96,023)
Total Program Revenues	<u>4,542,447</u>	<u>4,687,795</u>	<u>(145,348)</u>
General Revenues			
Property Taxes	11,941,353	12,489,547	(548,194)
Grants and Entitlements	15,378,568	16,232,768	(854,200)
Gifts and Donations	2,806	28,234	(25,428)
Investment Earnings	163,049	195,501	(32,452)
Miscellaneous	279,220	170,276	108,944
Total General Revenues	<u>27,764,996</u>	<u>29,116,326</u>	<u>(1,351,330)</u>
Total Revenues	<u>32,307,443</u>	<u>33,804,121</u>	<u>(1,496,678)</u>
Program Expenses			
Instruction			
Regular	14,313,586	10,953,347	3,360,239
Special	3,543,496	3,302,149	241,347
Vocational	2,234,381	2,136,618	97,763
Student Intervention	3,938	3,047	891
Support Services			
Pupils	874,056	989,440	(115,384)
Instructional Staff	696,218	930,778	(234,560)
Board of Education	34,035	50,934	(16,899)
Administration	2,219,378	2,005,352	214,026
Fiscal	931,836	923,675	8,161
Business	8,600	0	8,600
Operation and Maintenance of Plant	3,303,486	3,119,632	183,854
Pupil Transportation	2,925,283	2,989,420	(64,137)
Central	140,398	111,781	28,617
Operation of Non-Instructional Services	1,798,589	1,651,192	147,397
Extracurricular Activities	589,112	585,013	4,099
Interest	1,842,388	1,789,058	53,330
Total Expenses	<u>35,458,780</u>	<u>31,541,436</u>	<u>3,917,344</u>
Change in Net Position	(3,151,337)	2,262,685	(5,414,022)
Net Position Beginning of Year	<u>66,282,862</u>	<u>64,020,177</u>	<u>2,262,685</u>
Net Position End of Year	<u><u>\$63,131,525</u></u>	<u><u>\$66,282,862</u></u>	<u><u>(\$3,151,337)</u></u>

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The DeRolph III decision has not eliminated the dependence on property taxes. 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 \$35.00 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 become .5 mills and the owner would still pay \$35.00. Property taxes made up 37 percent of governmental activities revenues for Switzerland of Ohio Local School District in fiscal year 2013. The remaining 63 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid. The decrease in property taxes revenue in the amount of \$548,194 is due to an expired levy from a portion of the prior year's tax collections. See Note 7 for more information on property tax values and rates.

Overall, revenues decreased in the amount of \$1,496,678 with program revenues remaining consistent from the prior year. However, during fiscal year 2013, the School District did not receive amounts from capital grants as a permanent improvement levy was not renewed and the associated property tax allocations are no longer being collected. Unrestricted grants and entitlements were the largest general revenue sources accounting for \$15,378,568 or 48 percent of total revenues. This amount decreased from the prior year by \$854,200. Unrestricted foundation revenue from the State makes up a major portion of these revenue sources. Enrollment plays a major role in the finances of the School District and enrollment has been declining over the past several years. A large portion of the decline in enrollment is due to open enrollment. The School District experienced a net loss in the amount of \$633,763 as a result of open enrollment during fiscal year 2013, which results in foundation dollars going to other school districts.

Overall, the School District's expenses increased in the amount of \$3,917,344. The largest change in expense is in the regular instruction program, an increase in the amount of \$3,360,239. This increase is due to the unallocated loss on disposal of capital assets.

As can be seen from Table 2, the change in net position reflects a decrease in the amount of \$3,151,337 which is a combination of the changes in assets, liabilities, deferred inflows of resources, revenues, and expenses as discussed earlier.

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

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2013	2013	2012	2012
Program Expenses				
Instruction				
Regular	\$14,313,586	\$13,832,430	\$10,953,347	\$10,436,303
Special	3,543,496	2,188,661	3,302,149	2,296,227
Vocational	2,234,381	1,799,561	2,136,618	1,704,184
Student Intervention	3,938	(417)	3,047	1,228
Support Services				
Pupils	874,056	845,408	989,440	925,684
Instructional Staff	696,218	358,917	930,778	519,348
Board of Education	34,035	34,035	50,934	50,934
Administration	2,219,378	2,215,857	2,005,352	1,856,184
Fiscal	931,836	931,836	923,675	918,523
Business	8,600	8,600	0	0
Operation and Maintenance of Plant	3,303,486	3,232,765	3,119,632	3,017,453
Pupil Transportation	2,925,283	2,851,785	2,989,420	2,888,511
Central	140,398	140,398	111,781	106,582
Operation of Non-Instructional Services	1,798,589	277,034	1,651,192	(16,588)
Extracurricular Activities	589,112	357,075	585,013	360,010
Interest	1,842,388	1,842,388	1,789,058	1,789,058
Total	<u>\$35,458,780</u>	<u>\$30,916,333</u>	<u>\$31,541,436</u>	<u>\$26,853,641</u>

The dependence upon tax revenues and unrestricted government subsidies for governmental activities is apparent. Approximately 89 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. In other words, the focus on the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. All governmental funds had total revenues of \$34,370,658 and expenditures in the amount of \$86,620,433. The net change in fund balance, including other financing sources and uses, for the year was most significant in the Ohio School Facilities Commission (OSFC) Project Capital Project Fund, a decrease in the amount of \$26,001,657 which is a direct result of the receipt of current year and prior years grant monies from the State and increases in capital outlay expenses. The General Fund's balance increased by 25 percent even though the balance continues to be a deficit. However, the increase is evident of the School District's continued effort to maintain expenditures within fixed revenue amounts. The Bond Retirement Debt Service Fund had significant expenditure and other financing source activity due to a current refunding. The refunding, along with increased property tax revenue allowed this fund to show an increase in ending fund balance in the amount of \$941,368.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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. The School District amended its General Fund throughout the year, but the amendments were not significant. The net change in fund balance was a minimal amount of \$176,066 higher than the final estimate primarily due to conservative estimates in intergovernmental revenues.

The School District's General Fund ending unobligated fund balance was \$584,166 and was \$176,066 higher than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$82,541,230 invested in land, construction in progress, buildings and improvements, vehicles, and furniture and equipment in governmental activities. See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2013, the School District had \$34,795,932 outstanding in various school improvement bonds, including premiums and accretion. The two separate school improvement bonds consisted of Qualified School Construction Bonds (QSCBs), tax exempt bonds, capital appreciation bonds, and refunding bonds. In addition to bonded debt, the School District has capital lease obligations that it is retiring also. See Notes 15 and 16 for more detailed information of the School District's long-term debt.

Economic Factors

The Switzerland of Ohio Local School District did not end fiscal year 2013 with a positive short-term cash flow which reflects the challenge the Administration of the School District has in trying to maintain fiscal accountability. There are some uncontrollable variables that will affect future revenues, which includes the elimination of the three year averaging for Average Daily Membership (ADM), State elimination for fees from rollback and homestead funds, and the net loss of students to other school districts through open enrollment. Based on these factors, the Board of Education and Administration of the School District must maintain careful financial planning and prudent fiscal management in order to maintain the financial stability of the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, 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 questions about this report or need additional financial information, contact Lance Erlwein, Treasurer at Switzerland of Ohio Local School District, 304 Mill Street, Woodsfield, Ohio, 43793, or e-mail at lance.erlwein@omeresanet.net.

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Switzerland of Ohio Local School District
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,547,280
Cash and Cash Equivalents in Segregated Accounts	8,932,726
Cash and Cash Equivalents with Escrow Agents	579,418
Prepaid Items	52,155
Accounts Receivable	44,951
Intergovernmental Receivable	4,281,971
Inventory Held for Resale	12,198
Materials and Supplies Inventory	2,646
Property Taxes Receivable	11,719,321
Nondepreciable Capital Assets	20,286,809
Depreciable Capital Assets, Net	62,254,421
Total Assets	115,713,896
Liabilities	
Matured Compensated Absences Payable	71,654
Accounts Payable	262,581
Contracts Payable	1,799,953
Retainage Payable	1,084,289
Accrued Wages and Benefits Payable	2,277,161
Intergovernmental Payable	603,541
Accrued Interest Payable	50,392
Long-Term Liabilities:	
Due Within One Year	961,932
Due In More Than One Year	35,057,830
Total Liabilities	42,169,333
Deferred Inflows of Resources	
Property Taxes	10,413,038
Net Position	
Net Investment in Capital Assets	52,196,082
Restricted for:	
Debt Service	4,584,725
Capital Projects	7,068,613
Classroom Facilities Maintenance	660,717
Food Service Operations	49,038
Other Purposes	251,798
Unclaimed Monies	491
Unrestricted (Deficit)	(1,679,939)
Total Net Position	\$63,131,525

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Balance Sheet
Governmental Funds
June 30, 2013

	General	Bond Retirement	OSFC Project	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$796,374	\$4,433,216	\$0	\$2,317,199	\$7,546,789
Cash and Cash Equivalents in Segregated Accounts	0	0	8,479,152	453,574	8,932,726
Cash and Cash Equivalents with Escrow Agents	0	0	579,418	0	579,418
Materials and Supplies Inventory	0	0	0	2,646	2,646
Inventory Held for Resale	0	0	0	12,198	12,198
Accounts Receivable	20,202	0	0	24,749	44,951
Interfund Receivable	257,046	0	0	0	257,046
Intergovernmental Receivable	103,557	0	3,611,159	567,255	4,281,971
Prepaid Items	28,986	0	23,169	0	52,155
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	491	0	0	0	491
Property Taxes Receivable	9,029,716	2,530,698	0	158,907	11,719,321
Total Assets	\$10,236,372	\$6,963,914	\$12,692,898	\$3,536,528	\$33,429,712
Liabilities					
Accounts Payable	\$150,238	\$0	\$7,912	\$104,431	\$262,581
Contracts Payable	0	0	1,765,535	34,418	1,799,953
Retainage Payable	0	0	1,077,273	7,016	1,084,289
Accrued Wages and Benefits Payable	2,019,727	0	0	257,434	2,277,161
Interfund Payable	0	0	0	257,046	257,046
Intergovernmental Payable	542,579	0	0	60,962	603,541
Matured Compensated Absences Payable	0	0	0	71,654	71,654
Total Liabilities	2,712,544	0	2,850,720	792,961	6,356,225
Deferred Inflows of Resources					
Property Taxes	8,069,373	2,204,830	0	138,835	10,413,038
Unavailable Revenue	564,702	167,115	3,508,328	297,196	4,537,341
Total Deferred Inflows of Resources	8,634,075	2,371,945	3,508,328	436,031	14,950,379
Fund Balances					
Nonspendable:					
Inventories	0	0	0	14,844	14,844
Prepaid Items	28,986	0	23,169	0	52,155
Unclaimed Monies	491	0	0	0	491
Restricted for:					
Food Service Operations	0	0	0	43,010	43,010
Capital Improvements	0	0	6,310,681	1,546,095	7,856,776
Debt Service	0	4,591,969	0	0	4,591,969
Classroom Facilities Maintenance	0	0	0	650,339	650,339
State Grant Expenditures	0	0	0	21,074	21,074
Federal Grant Expenditures	0	0	0	88,028	88,028
Other Purposes	0	0	0	14,316	14,316
Committed to Scholarships	0	0	0	42,182	42,182
Assigned to Other Purposes	45,027	0	0	0	45,027
Unassigned (Deficit)	(1,184,751)	0	0	(112,352)	(1,297,103)
Total Fund Balances (Deficit)	(1,110,247)	4,591,969	6,333,850	2,307,536	12,123,108
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$10,236,372	\$6,963,914	\$12,692,898	\$3,536,528	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					82,541,230
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:					
Property Taxes				708,166	
Accounts Receivable				24,749	
Grants				3,804,426	4,537,341
Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds:					
School Improvement Serial and Term Bonds				(33,960,000)	
Capital Appreciation Bonds				(104,999)	
Capital Appreciation Bonds Accretion				(28,271)	
Bond Premium				(702,662)	
Capital Leases				(21,114)	
Compensated Absences Payable				(1,202,716)	
Accrued Interest Payable				(50,392)	(36,070,154)
Net Position of Governmental Activities					\$63,131,525

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement	OSFC Project	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$9,562,383	\$2,647,326	\$0	\$166,854	\$12,376,563
Intergovernmental	15,150,515	846,937	1,734,586	3,165,598	20,897,636
Interest	15,826	34,679	101,250	11,294	163,049
Tuition and Fees	131,522	0	0	0	131,522
Extracurricular Activities	2,100	0	0	188,773	190,873
Rentals	7,716	0	0	0	7,716
Charges for Services	24,083	0	0	244,205	268,288
Gifts and Donations	4,100	0	0	51,619	55,719
Miscellaneous	274,331	0	0	4,961	279,292
Total Revenues	25,172,576	3,528,942	1,835,836	3,833,304	34,370,658
Expenditures					
Current:					
Instruction:					
Regular	10,428,455	0	0	322,939	10,751,394
Special	2,299,333	0	0	1,180,246	3,479,579
Vocational	2,177,173	0	0	6,307	2,183,480
Student Intervention Services	0	0	0	3,938	3,938
Support Services:					
Pupils	829,890	0	0	29,567	859,457
Instructional Staff	365,310	0	0	322,999	688,309
Board of Education	34,035	0	0	0	34,035
Administration	2,176,180	0	0	6,461	2,182,641
Fiscal	816,559	116,516	0	7,639	940,714
Business	0	0	0	8,600	8,600
Operation and Maintenance of Plant	2,520,509	0	0	99,514	2,620,023
Pupil Transportation	2,681,933	0	0	20,340	2,702,273
Central	104,267	0	0	34,802	139,069
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	1,639,212	1,639,212
Other Non-Instructional Services	0	0	0	63,465	63,465
Extracurricular Activities	353,186	0	0	235,926	589,112
Capital Outlay	34,902	0	27,837,493	2,311,714	30,184,109
Debt Service:					
Principal Retirement	801	680,000	0	0	680,801
Refunded Bond Redeemed	0	24,500,000	0	0	24,500,000
Interest and Fiscal Charges	469	2,005,624	0	0	2,006,093
Issuance Costs	0	364,129	0	0	364,129
Total Expenditures	24,823,002	27,666,269	27,837,493	6,293,669	86,620,433
Excess of Revenues Over (Under) Expenditures	349,574	(24,137,327)	(26,001,657)	(2,460,365)	(52,249,775)
Other Financing Sources (Use)					
Transfers In	0	0	0	63	63
Proceeds from Sale of Capital Assets	1,363	0	0	374,040	375,403
Insurance Recoveries	6,737	0	0	0	6,737
Inception of Capital Lease	21,915	0	0	0	21,915
Refunding Bonds Issued	0	24,500,000	0	0	24,500,000
Premium on Refunding Bonds Issued	0	578,695	0	0	578,695
Transfers Out	(63)	0	0	0	(63)
Total Other Financing Sources (Use)	29,952	25,078,695	0	374,103	25,482,750
Net Change in Fund Balances	379,526	941,368	(26,001,657)	(2,086,262)	(26,767,025)
Fund Balances (Deficit) Beginning of Year	(1,489,773)	3,650,601	32,335,507	4,393,798	38,890,133
Fund Balances (Deficit) End of Year	(\$1,110,247)	\$4,591,969	\$6,333,850	\$2,307,536	\$12,123,108

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds (\$26,767,025)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	29,581,404	
Current Year Depreciation	<u>(773,533)</u>	28,807,871

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of proceeds and loss on disposal of assets.

Proceeds from Sale of Capital Assets	(375,403)	
Insurance Recoveries	(6,737)	
Loss on Disposal of Capital Assets	<u>(2,994,616)</u>	(3,376,756)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	(435,210)	
Intergovernmental	(1,646,433)	
Rentals	(434)	
Charges for Services	18,934	
Miscellaneous Revenue	<u>(72)</u>	(2,063,215)

Inception of a capital lease is reported as an other financing source in the governmental funds, but the inception increases long-term liabilities on the statement of net position. (21,915)

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net position:

Proceeds of School Improvement Refunding Bonds	(24,500,000)	
Bond Premium	<u>(578,695)</u>	(25,078,695)

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds:

Capital Appreciation Bond Accretion	(7,867)	
Amortization of Bond Premium	505,706	
Accrued Interest	<u>(334,134)</u>	163,705

Repayments of principal and current refundings are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position:

Bonds	25,180,000	
Capital Leases	<u>801</u>	25,180,801

Expenses reported in the statement of activities resulting from compensated absences payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 3,892

Change in Net Position of Governmental Activities (\$3,151,337)

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$9,337,940	\$10,031,523	\$10,031,523	\$0
Intergovernmental	14,747,830	15,061,589	15,136,830	75,241
Interest	10,000	14,294	15,827	1,533
Tuition and Fees	126,500	131,852	131,852	0
Rentals	6,239	6,260	8,516	2,256
Extracurricular Activities	3,250	2,100	2,100	0
Gifts and Donations	4,100	4,100	4,100	0
Charges for Services	37,450	24,083	24,083	0
Miscellaneous	138,627	184,272	193,043	8,771
Total Revenues	24,411,936	25,460,073	25,547,874	87,801
Expenditures				
Current:				
Instruction:				
Regular	10,469,613	10,648,621	10,614,498	34,123
Special	2,255,519	2,294,079	2,286,455	7,624
Vocational	2,194,304	2,231,817	2,224,400	7,417
Support Services:				
Pupils	814,168	828,087	825,335	2,752
Instructional Staff	379,458	385,946	384,663	1,283
Board of Education	34,703	35,296	35,179	117
Administration	2,142,717	2,179,348	2,172,106	7,242
Fiscal	809,146	822,979	820,244	2,735
Operation and Maintenance of Plant	2,552,472	2,596,109	2,587,481	8,628
Pupil Transportation	2,689,795	2,735,779	2,726,687	9,092
Central	130,806	133,042	132,600	442
Extracurricular Activities	330,258	335,904	334,788	1,116
Capital Outlay	12,811	13,030	12,987	43
Debt Service:				
Principal Retirement	801	801	801	0
Interest and Fiscal Charges	469	469	469	0
Total Expenditures	24,817,040	25,241,307	25,158,693	82,614
Excess of Revenues Over (Under) Expenditures	(405,104)	218,766	389,181	170,415
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	1,363	1,363
Insurance Recoveries	0	6,737	6,737	0
Advances Out	0	(251,397)	(247,109)	4,288
Transfers Out	(500)	(63)	(63)	0
Total Other Financing Sources (Uses)	(500)	(244,723)	(239,072)	5,651
Net Change in Fund Balance	(405,604)	(25,957)	150,109	176,066
Fund Balance Beginning of Year	201,396	201,396	201,396	0
Prior Year Encumbrances Appropriated	232,661	232,661	232,661	0
Fund Balance End of Year	\$28,453	\$408,100	\$584,166	\$176,066

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$0	\$90,914
Cash and Cash Equivalents in Segregated Accounts	189,116	0
Total Assets	189,116	\$90,914
Liabilities		
Undistributed Monies	0	\$987
Due to Students	0	89,927
Total Liabilities	0	\$90,914
Net Position		
Held In Trust for Scholarships	\$189,116	

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
Additions	
Interest	\$393
Deductions	
Payments in Accordance with Trust Agreements	3,000
Change in Net Position	(2,607)
Net Position Beginning of Year	191,723
Net Position End of Year	\$189,116

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 - Description of the School District and Reporting Entity

Switzerland of Ohio Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and federal agencies.

The School District is the largest in square miles in the state. It is located in Monroe County and portions of Noble and Belmont Counties. The Board of Education controls the School District's thirteen instructional/support facilities staffed by 132 classified employees, 200 certificated full-time teaching personnel/administrative employees who provide services to 2,579 students and other community members.

On July 31, 2010, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education based on the School District's 5 year forecast. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education designed to avoid a potential deficit in future fiscal years. The School District has submitted a plan to the Ohio Department of Education. See Note 21 for further details.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the basic 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 Switzerland of Ohio Local School District, this includes general operations, food service, and student related activities of the School District.

St. Sylvester's School is operated through the Steubenville Catholic Diocese. The parochial school is within the School District boundaries. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activities of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes due to GASB Statement No. 24.

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, and there is a potential for the organization to provide specific benefits to, or impose specific financial burden on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The School District participates in three organizations which are defined as jointly governed organizations and one insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Coalition of Rural and Appalachian Schools, the Ohio Coalition of Equity and Adequacy of School Funding, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. Additional information concerning these organizations is presented in Note 17.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District 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 more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position 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. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The Statement of Net Position presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District uses two categories of funds: governmental and fiduciary.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, the Bond Retirement Debt Service Fund, and the Ohio School Facilities Commission (OSFC) Project Capital Projects Fund are the School District's major governmental funds:

General Fund The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

Bond Retirement The Bond Retirement Debt Service Fund accounts for the accumulation of resources for the payment of general obligation principal and interest.

Ohio School Facilities Commission (OSFC) Project The OSFC Project Capital Projects Fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

Fiduciary Fund Types Fiduciary fund reporting focuses on net position and changes in net position. 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 private purpose trust fund is used to award a post-secondary scholarship to student whose majors are preferred to be in the engineering, physical and biological sciences, medicine, or business fields. 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. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, there currently are no amounts reported as deferred outflows of resources.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, intergovernmental grants, rentals, and miscellaneous revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, except the state and local share of the School District's classroom facilities project and the private purpose trust monies are maintained in this account or temporarily are used to purchase short-term investments. 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.

During fiscal year 2013, the School District had no investments.

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 2013 amounted to \$15,826, of which \$14,446 is assigned from other School District funds.

Investments of the 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 are reported as investments. Investments not purchased from the cash management pool are presented as investments in segregated accounts.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District currently capitalizes land, construction in progress, buildings and improvements, vehicles, and furniture and equipment. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	30 Years
Vehicles	10 Years
Furniture and Equipment	5-7 Years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Position.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for vacation eligible employees with more than one year of service.

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Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave after twenty years of current service with the School District.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid. Bonds are recognized as a liability on the governmental fund financial statements when due.

L. Bond Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the period in which the bonds are issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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Notes to the Basic Financial Statements
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N. Restricted Assets

Assets are reported as restricted assets 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 of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies not available for appropriation.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash. It also includes the long-term portion of loans receivable, prepaid items, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education delegated that authority by resolution or by State statute.

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For the Fiscal Year Ended June 30, 2013

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include instructional and support services activities and resources of state and federal grants restricted for specified purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. 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.

S. Budgetary Process

All funds, other than 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 sets annual limits on expenditures plus encumbrances 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 of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to further allocate

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For the Fiscal Year Ended June 30, 2013

appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue 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 in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated resources. 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 the prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

Note 3 - Changes in Accounting Principles

For 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", Statement No. 65, "Items Previously Reported as Assets and Liabilities", and Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62".

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

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GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District's 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District's financial statements.

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2013, the following funds had deficit fund balances:

	Amount
General Fund	(\$1,110,247)
Special Revenue Funds:	
Athletic and Music	(19,741)
Miscellaneous Federal Grants	(28,099)
IDEA Part B	(64,512)

The deficit in the General Fund was created by the lack of unrestricted resources to cover operations of the fund and also by the adjustment of accrued liabilities. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending. The deficits in the special revenue funds are due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Revised Code:

	Amount
Athletic and Music Special Revenue Fund	\$646
Bond Retirement Debt Service Fund	25,078,695
Classroom Facilities Capital Projects Fund	178,875
Local Funded Initiatives Capital Projects Fund	16,787

Contrary to section 5705.39, Revised Code, the following funds had appropriations exceeding estimated resources at fiscal year-end:

	Amount
Athletic and Music Special Revenue Fund	\$9,196
Title I Special Revenue Fund	131,638
Miscellaneous Federal Grants	37,600

The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
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Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Unrecorded cash adjustments represent amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

Net Change in Fund Balance	
GAAP Basis	\$379,526
Net Adjustment for Revenue Accruals	353,382
Fiscal Year 2013 Unreported Cash	(8)
Fiscal Year 2012 Unreported Cash	9
Fiscal Year 2013 Prepaid Items	(28,986)
Fiscal Year 2012 Prepaid Items	77,159
Net Adjustment for Expenditure Accruals	(171,173)
Advances Out	(247,109)
Encumbrances	(212,691)
Budget Basis	<u><u>\$150,109</u></u>

Note 6 - Deposits and Investments

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
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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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
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. Investments may only be made through specified dealers and institutions.

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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 year end \$18,959,962 of the School District's bank balance of \$19,459,962, including the payroll account balance of \$268,215, 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 credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the 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.

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District's 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Monroe, Belmont, and Noble Counties. The County Auditors periodically advance to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2013 are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources for property taxes not levied to finance current year operations.

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Notes to the Basic Financial Statements
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The amount available as an advance, and recognized as revenue at June 30, 2013, was \$429,670 in the General Fund, \$9,694 in the Classroom Facilities Maintenance Special Revenue Fund, and \$158,753 in the Bond Retirement Debt Service Fund. At June 30, 2012, \$898,810 was available as an advance in the General Fund, \$21,360 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$344,854 was available in the Bond Retirement Debt Service Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$257,197,910	67.74%	\$261,829,290	67.43%
Public Utility Personal	122,462,550	32.26%	126,487,580	32.57%
Total	\$379,660,460	100.00%	\$388,316,870	100.00%
Tax rate per \$1,000 of assessed valuation	\$43.59		\$43.59	

During fiscal year 2013, the assessed valuations for the Public Utility Personal increased as a result of a court case decision concerning the valuation of a natural gas distribution pipeline and compressor station being constructed within the School District.

Note 8 - Receivables

Receivables at June 30, 2013, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and the classroom facilities grant, are expected to be received within one year. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable, in the amount of \$708,166, may not be collected within one year. The portion of the State Classroom Facilities Grant totaling \$53,713,720 that will be paid to the School District through the Ohio School Facilities Commission for future construction will not be collected within one year.

During fiscal year 2010, the School District was awarded \$53,010,672 for building construction and renovations under the State’s “Classroom Facilities Program”. During fiscal year 2012, an amendment to this grant was approved in the amount of \$703,048. Under this program, the School District entered into an agreement with the State of Ohio in which the State would pay for a portion of the estimated project costs. As part of the process, the School District maintains a fund into which a set amount of proceeds from a levy is receipted for facilities maintenance. As of the end of the fiscal year 2013, the School District had received \$50,102,561 of the monies awarded under this program. The remaining amount of \$3,611,159 is recorded as a receivable. \$102,831 of this amount was received in the available period and the rest is reported as unavailable revenue on the balance sheet.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Title I Grants	\$353,253
Title II-A Grant	94,640
Special Education Part B IDEA	29,353
Secondary Grant	17,773
Title VI-B	47,262
Early Childhood Special Education	16,384
Ohio School Facilities Grant	3,611,159
SERS Overfunding	37,870
Bureau of Workers' Compensation Refund	52,275
Medicaid Reimbursements	13,685
Miscellaneous Receivables	8,317
Total	\$4,281,971

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Nondepreciable Capital Assets				
Land	\$1,333,190	\$40,725	(\$490,666)	\$883,249
Construction in Progress	47,807,154	20,885,155	(49,288,749)	19,403,560
Total Nondepreciable Assets	49,140,344	20,925,880	(49,779,415)	20,286,809
Depreciable Capital Assets				
Buildings and Improvements	13,738,269	55,738,708	(3,869,287)	65,607,690
Vehicles	4,166,844	0	(11,275)	4,155,569
Furniture and Equipment	4,055,181	1,737,105	(2,436,879)	3,355,407
Total Capital Assets Being Depreciated	21,960,294	57,475,813	(6,317,441)	73,118,666
Less Accumulated Depreciation:				
Buildings and Improvements	(9,268,753)	(381,141)	2,290,467	(7,359,427)
Vehicles	(1,958,508)	(173,043)	4,681	(2,126,870)
Furniture and Equipment	(2,763,262)	(219,349)	1,604,663	(1,377,948)
Total Accumulated Depreciation	(13,990,523)	(773,533) *	3,899,811	(10,864,245)
Total Capital Assets Being Depreciated, Net	7,969,771	56,702,280	(2,417,630)	62,254,421
Governmental Activities Capital Assets, Net	\$57,110,115	\$77,628,160	(\$52,197,045)	\$82,541,230

The construction in progress deletions included \$468,460 in items that did not meet the School District's capitalization threshold.

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For the Fiscal Year Ended June 30, 2013

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$227,006
Special	49,548
Vocational	37,136
Support Services:	
Pupils	13,721
Instructional Staff	7,623
Administration	32,016
Fiscal	3,811
Operation and Maintenance of Plant	82,387
Pupil Transportation	229,380
Operation of Non-Instructional Services	90,905
Total Governmental Depreciation	<u><u>\$773,533</u></u>

Note 10 - Interfund Balances and Transfers

A. Interfund Balances

The General Fund reflects an interfund receivable from the following nonmajor funds:

<u>Special Revenue Funds</u>	<u>Amount</u>
Athletic and Music	\$41,886
Miscellaneous Local Grants	219
Title I Special Revenue Fund	143,701
Miscellaneous State Grants	16,384
Miscellaneous Federal Grants	54,856
Total	<u><u>\$257,046</u></u>

Of the above total, the General Fund made short-term loans to these funds in the total amount of \$247,109. The remaining \$9,937 was due to time lags between the dates interfund goods and services were provided and when payments were made.

All amounts are expected to be repaid within one year.

B. Interfund Transfers

During fiscal year 2013, the School District recorded a transfer from the General Fund to the Non-major Miscellaneous Local Grants Special Revenue in the amount of \$63. This transfer was to help subsidize this program due to insufficient operating and/or local grant money.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
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Note 11 - 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 2013 the School District purchased the following coverage:

<u>Ohio Casualty</u>		
Fleet Insurance:		
Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$1,000,000	any one accident
Physical Damage Comprehensive	actual cash value	\$250 deductible
Physical Damage Collision	actual cash value	\$250 deductible
Commercial Property	\$89,032,008	\$2,500 deductible
Equipment Breakdown	\$25,000 - \$100,000	
Commercial General Liability	\$1,000,000	each occurrence
Violent Event Response Coverage	\$300,000	aggregate
Builders' Risk	\$19,682,382	\$5,000 deductible
Earthquake Limit	\$1,000,000	\$5,000 deductible
Soft Cost and Rental Income	\$3,665,061	
<u>Westfield Insurance Company</u>		
Commercial Crime Coverage	\$2,500	\$500 deductible
<u>Ohio Farmers Insurance Company</u>		
Superintendent Bond	\$20,000	
Treasurer Bond	\$20,000	

Settled claims have not exceeded their commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 as 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 that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is limited to 260 days for classified employees and 265 days for certified employees. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Dearborn National Life Insurance Company. Coverage in the amount of \$50,000 is provided for all certified and non-certified employees. Administrators have coverage of twice their salary amount with a maximum of \$100,000.

The School District has contracted with Anthem Blue Cross/Blue Shield Insurance Company to provide employee health and prescription benefits and with Delta Dental to provide dental coverage. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for health and prescription benefits. For fiscal year 2013, the School District paid ninety percent of the premiums for health and prescription and employees paid ten percent. The premium for dental coverage was funded entirely by the School District.

The School District has contracted with Vision Service Plan to provide employee vision benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for vision benefits. For fiscal year 2013, the School District paid ninety percent of the premium and the employees paid ten percent.

C. Retirement Incentive Payable

The School District's negotiated agreement with the Switzerland of Ohio Education Association provides for payment of one-half of total accumulated sick leave to any certificated staff who is covered under their contract and retires in the first year that they become eligible to receive benefits from the State Teachers Retirement System. Any certificated staff covered under this contract who retires at any other time is eligible to receive one-fourth of their accumulated sick leave. At June 30, 2013, there was no liability for this benefit.

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$369,140, \$375,778, and \$325,072, respectively. For fiscal year 2013, 64.28 percent has been contributed, with the remaining being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

B. State Teachers Retirement System

Plan Description - 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at 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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. 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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, 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.

The School District's required contributions for pension obligations to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,275,504 and \$111 for the fiscal year ended 2013, \$1,312,886 and \$753 for fiscal year ended 2012, and \$1,311,502 and \$2,368 for fiscal year ended June 30, 2011.

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, 2013 there was one employee who elected Social Security.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$48,803 in surcharge.

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Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$80,469, \$50,111, and \$108,901, respectively. For fiscal year 2013, 25.06 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$20,462, \$21,172, and \$22,160, respectively. For fiscal year 2013, 63.60 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$98,116, \$100,991, and \$103,177, respectively; 83.45 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Note 15 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized lease agreements for copiers and a postage machine totaling \$21,915. Each lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements for the governmental funds.

The assets acquired by lease have been capitalized in the government-wide financial statements in the amount of \$21,915 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide statements. Capitalized lease assets are reflected net of accumulated depreciation in the amount of \$18,263 at June 30, 2013. Principal payments toward all capital leases during fiscal year 2013 totaled \$801.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
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Future minimum lease payments through 2019 for governmental activities are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$3,276	\$1,710	\$4,986
2015	3,994	1,574	5,568
2016	4,400	1,169	5,569
2017	4,846	722	5,568
2018	4,030	268	4,298
2019	568	14	582
Totals	<u>\$21,114</u>	<u>\$5,457</u>	<u>\$26,571</u>

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Note 16 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Outstanding 06/30/12	Additions	Reductions	Outstanding 06/30/13	Amounts Due Within One Year
Governmental Activities					
2009 School Improvement Bonds:					
Qualified School Construction					
Bonds - 1.65% - \$10,000,000	\$9,750,000	\$0	(\$675,000)	\$9,075,000	\$700,000
Tax-Exempt Serial Bonds - 2.00% - 3.30% - \$30,000	25,000	0	(5,000)	20,000	5,000
Tax-Exempt Term Bonds - 4.00% - \$405,000	405,000	0	0	405,000	0
Build America Term Bonds - 6.30%-6.80% - \$22,725,000	22,725,000	0	(22,725,000)	0	0
Build America Serial Bonds - 5.75%-6.05% - \$1,775,000	1,775,000	0	(1,775,000)	0	0
Tax Exempt Capital Appreciation Bonds - 4.25%-4.65% - \$64,999	64,999	0	0	64,999	0
Capital Appreciation Bonds Accretion - \$300,001 - 18.3726%	20,404	7,867	0	28,271	0
Bond Premium	629,673	0	(505,706)	123,967	0
Total 2009 School Improvement Bonds	35,395,076	7,867	(25,685,706)	9,717,237	705,000
2013 School Improvement Bonds:					
Current Interest Refunding Serial Bonds - 3.00% - 5.00% - \$13,135,000	0	13,135,000	0	13,135,000	0
Current Interest Refunding Term Bonds - 4.00% - \$11,325,000	0	11,325,000	0	11,325,000	0
Capital Appreciation Refunding Bonds - .80% - 3.10% - \$40,000	0	40,000	0	40,000	7,530
Bond Premium	0	578,695	0	578,695	0
Total 2013 School Improvement Bonds	0	25,078,695	0	25,078,695	7,530
Capital Leases	0	21,915	(801)	21,114	3,276
Compensated Absences	1,206,608	208,218	(212,110)	1,202,716	246,126
Total Long-Term Obligations	\$36,601,684	\$25,316,695	(\$25,898,617)	\$36,019,762	\$961,932

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School Improvement Bonds

During fiscal year 2010, the School District issued \$10,000,000 in Qualified School Construction Bonds (QSCBs) in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds were issued for the purpose of paying a portion of the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, building demolition, other site improvements, and all necessary appurtenances thereto. The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009. The issuance included issuance costs of \$113,409 which were previously expensed.

In accordance with bond covenants, the School District shall deposit in the Sinking Fund for the accumulation of funds necessary to pay the bonds at maturity. The School District shall deposit monies annually on September 15 of each year as needed so that the balance in the Sinking Fund (taking into account the interest earned on such fund) shall be equal to and not exceed the amounts set forth below. The principal (sinking fund deposits) and interest requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$700,000	\$165,000	\$865,000
2015	725,000	165,000	890,000
2016	750,000	165,000	915,000
2017	775,000	165,000	940,000
2018	770,000	165,000	935,000
2019-2023	3,825,000	825,000	4,650,000
2024-2025	1,530,000	247,500	1,777,500
Totals	\$9,075,000	\$1,897,500	\$10,972,500

The bonds were subject to extraordinary mandatory redemption, in whole or in part, on December 15, 2012, or, in the event of an extension negotiated with the IRS, on a credit allowance date that occurs on or before December 15, 2014, in authorized denominations, at a redemption price equal to the principal amount of the bonds called for redemption plus accrued interest thereon to the redemption date, in an amount equal to the unexpended proceeds of the sale of the bonds held by the School District, but only to the extent that the School District fails to expend all of the proceeds of the bonds within three years of issuance thereof and no extension of the period for expenditure had been granted by the IRS.

Upon a determination of Loss of Qualified School Construction Bond status, the Tax Credit bonds are subject to extraordinary mandatory redemption prior to their fixed maturity date, in whole, on the date designated by the School District, which date shall be a date on or prior to the January 15 following the next succeeding August 1 after a Determination of Loss of Qualified School Construction Bond status, at a redemption price equal to (i) the principal amount of the Tax Credit bonds called for redemption, plus (ii) the redemption premium, plus (iii) accrued interest on the principal amount of the Tax Credit bonds called for redemption plus the interest owed from the supplemental coupon from the Tax Credit Allowance Date immediately preceding the redemption date, to the date of redemption.

During fiscal year 2010, the School District issued \$24,999,999 in School Improvement Bonds. The issue consisted of tax exempt bonds (serial, term, and capital appreciation) and Build America Bonds (BABs). The bonds were issued for the purpose of repaying outstanding bond anticipation notes issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, building demolition, other site improvements, and all appurtenances thereto. The bonds will be repaid

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from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009. The issuance included a premium of \$710,593 which will be amortized over the life of the bonds and issuance costs of \$408,139 which were previously expensed. During fiscal year 2013, the Build America Bonds (BABs) portion, in the amount of \$24,500,000, were current refunded.

The capital appreciation bonds for the 2009 issue mature December 1, 2017, 2018, 2019, and 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$365,000. The 2013 accretion was \$7,867 resulting in a total bond liability of \$93,270.

The term bonds for the 2009 issue are subject to optional, mandatory, and extraordinary redemptions prior to maturity.

Mandatory Redemption

The 2009 Tax-Exempt term bonds due December 1, 2021 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2021 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year (December 1)	Principal Amount to be Redeemed
2021	\$200,000

Unless otherwise called for redemption, the remaining \$205,000 principal amount of the 2009 Tax-Exempt Bonds due December 1, 2022 is to be paid at stated maturity.

Optional Redemption

The Tax-Exempt Bonds maturing on December 1, 2022 and thereafter are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2019 at par, which is 100 percent of the face value of the Tax-Exempt Bonds.

Principal and interest requirements to maturity for the 2009 serial and term bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$5,000	\$16,705	\$21,705
2015	5,000	16,584	21,584
2016	5,000	16,441	21,441
2017	5,000	16,283	21,283
2019-2022	405,000	24,400	429,400
Totals	\$425,000	\$90,413	\$515,413

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Principal and accretion to maturity for the 2009 capital appreciation bonds are as follows:

Fiscal Year Ending June 30,	Principal	Accretion	Total
2017	\$13,342	\$41,658	\$55,000
2018	15,261	59,739	75,000
2019	17,068	82,932	100,000
2020	19,328	115,672	135,000
Totals	<u>\$64,999</u>	<u>\$300,001</u>	<u>\$365,000</u>

As part of both of the 2009 bond issuances, the School District, pursuant to Section 3317.18, Ohio Revised Code, and Section 3301-8-01, Ohio Administrative Code, participated in the Ohio Credit Enhancement Program, and was assigned a long-term rating of AA/Stable from Standard & Poor's for the bond issuances. In the event the School District is unable to make sufficient debt service payments and the payment will not be made by a credit enhancement facility, the department of education will make the sufficient payment.

During fiscal year 2013, the School District refunded the 2009 Build America Bonds. The 2009 refunded bonds were originally issued for a twenty-five year period. On June 19, 2013, the School District issued \$24,500,000 of School Improvement Refunding Serial, Term, and Capital Appreciation bonds with varying interest rates. The refunding bonds were sold at a premium of \$578,695 that will be amortized over the term of the bonds. Issuance costs associated with the refunding bond issue, in the amount of \$364,129, were expensed during fiscal year 2013. The refunding resulted in a current refunding of the 2009 Build America Serial and Term Bonds in the amount of \$24,500,000. The current refunding resulted in a difference between the net carrying amount of the debt and the acquisition price in the amount of \$492,657 which is expensed during fiscal year 2013. The School District completed its refunding to reduce its total debt service requirements over the next twenty-five years by \$1,161,920.07 in order to obtain an economic gain of \$670,909.

The principal and interest requirements to maturity for the 2013 refunding term and serial bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024-2028	\$3,735,000	\$4,520,981	\$8,255,981
2029-2033	5,695,000	3,196,334	8,891,334
2034-2037	15,030,000	743,100	15,773,100
Totals	<u>\$24,460,000</u>	<u>\$8,460,415</u>	<u>\$32,920,415</u>

Mandatory Sinking Fund Redemption

The 2013 Current Interest refunding bonds due December 1, 2034 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2033 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Date	Principal Amount to be Redeemed
2033	\$2,010,000

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Unless otherwise called for redemption, the remaining \$2,115,000 principal amount of the Current Interest refunding bonds due December 1, 2034 is to be paid at stated maturity.

The 2013 Current Interest refunding bonds due December 1, 2037 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2035 and each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Date	Principal Amount to be Redeemed
2035	\$2,280,000
2036	2,400,000

Unless otherwise called for redemption, the remaining \$2,520,000 principal amount of the Current Interest refunding bonds due December 1, 2037 is to be paid at stated maturity.

Optional Redemption

The Current Interest refunding bonds maturing on or after December 1, 2023 are subject to optional redemption prior to maturity, in whole or in part on any date in any order maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after June 1, 2023 at par plus accrued interest thereon.

The capital appreciation bonds for the 2013 issue mature December 1, 2014 through December 1, 2022. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$615,000. For fiscal year 2013, no amounts were accreted, as the refunding occurred near the end of the fiscal year, for a total bond liability of \$40,000. The capital appreciation bond maturing in fiscal year 2014 will have the entire amount of accretion, \$67,470, recognized during this same year.

Principal and accretion to maturity for the 2013 capital appreciation bonds are as follows:

Fiscal Year Ending June 30,	Principal	Accretion	Total
2014	\$7,530	\$67,470	\$75,000
2015	4,239	55,761	60,000
2016	4,120	55,880	60,000
2017	3,980	56,020	60,000
2018	3,832	56,168	60,000
2019-2022	16,299	283,701	300,000
Totals	<u>\$40,000</u>	<u>\$575,000</u>	<u>\$615,000</u>

Compensated Absences

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Title I, IDEA Part B, and Food Service Special Revenue Funds.

Note 17 - Jointly Governed Organizations and Insurance Purchasing Pool

A. Jointly Governed Organizations

The **Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (Council)** was created as a separate regional council of governments pursuant to State statutes. The Council has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2013, the amount paid to the Council from the School District was \$118,633 for technology, internet access, financial accounting services, and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of no more than nineteen members, not including ex-officio members. The Board shall include the Dean of the College of Education, and two additional members from Ohio University appointed by the Dean. There shall be one elected member from each of the eight multi-county regions. The eight elected members shall appoint eight additional members, one from each multi-county region. A County Region must have a minimum of five active public school district members to qualify for an elected and an appointed member on the Board. Elected and appointed members, other than those representing Ohio University, must be active school superintendents from a member school district. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition.

The Coalition exercises total control over the operation of CORAS including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2013. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Mike Shoemaker, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

The **Ohio Coalition of Equity and Adequacy of School Funding** is a regional council of government established in January 1991. The purpose of the Coalition is to bring about greater equity and adequacy of public school funding in Ohio. The Coalition is governed by a steering committee consisting of representatives from the membership group. The steering committee consists of not more than 78 representatives, who are Superintendents of Boards of Education that are Coalition members, plus an additional 12 representatives that need not be Board of Education Superintendents. Each participant's control is limited to its representation on the committee. The steering committee exercises total control of the operation of the Coalition including budgeting, appropriating, contracting, and designating

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management. During fiscal year 2013, the School District paid \$1,259 to the Coalition for its membership fee.

B. Insurance Purchasing Pool

The School District participates in the **Ohio School Boards Association Workers' Compensation Group Rating Plan (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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program. The School District enrollment fee for fiscal year 2013 was \$2,755.

Note 18 - Contingencies

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2013.

The School District is currently party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 19 - 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 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.

Effective June 30, 2005, through Amended Substitute House Bill 66, school districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the Districts apply and receive approval from the Ohio Department of Education. Switzerland of Ohio Local School District remained in Fiscal Caution during fiscal year 2013 but did not request a waiver of the set-aside requirement for fiscal year 2013.

The following cash basis information describes the change in the fiscal year end set-aside amounts for capital improvements and budget stabilization. Disclosure of this information is required by State statute.

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	Capital Improvements
Excess qualified expenditures from prior years	\$0
Current year set-aside requirement	410,194
Current year qualifying expenditures	(111,619)
Current year offsets	(387,276)
Total	(\$88,701)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside reserve balance as of June 30, 2013	\$0

The School District had qualifying expenditures and offsets during the fiscal year that reduced the set-aside amount below zero for capital improvements, which may not be carried forward to future fiscal years.

Debt proceeds may be used to reduce the capital set-aside reserve. The amount used each fiscal year is limited to the amount of revenue collected to service the debt or the set-aside balance less any offsets and qualified expenditures. The 2009 school improvement bonds proceeds less the accumulated amount of debt proceeds used as an offset is carried forward to future fiscal years until consumed. The amount of debt proceeds that may be used as an offset in future fiscal years is \$25,975,652.

Note 20 - Significant Commitments

A. Encumbrances

Encumbrances are commitments to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

<u>Governmental Funds</u>	
General Fund	\$212,691
OSFC Project Capital Projects Fund	8,118,957
Other Governmental Funds	402,990
Total All Funds	\$8,734,638

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B. Contractual Commitments

As of June 30, 2013, the School District had contractual purchase commitments relating to the Classroom Facilities Project:

Contractor	Amounts Remaining on Contracts
Balog Steins Hendricks & Manchester Architects	\$323,573
W. G. Tomko, Incorporated	688,969
School Specialty, Incorporated	206,418
Tom Sexton and Associates	19,542
S. A. Comunale Company, Incorporated	40,223
Raze International, Incorporated	17,939
N. F. Mansuetto and Sons, Incorporated	19,708
Mach Industries	29,281
Kalkreuth Roofing, Incorporated	12,185
Climatech, Incorporated	54,839
Communications Consulting, Incorporated	19,542
Davison Electric Company, Incorporated	686,396
Netech Corporation	15,800
Commercial Appliance Contracts, Incorporated	91,573
Library Design Associates	114,235
Grae-Con Construction, Incorporated	4,801,969
Horizon Incorporated	466,200
KAL Electric, Incorporated	847,441
Breckenridge Kitchen	88,010
Brewer & Company of West Virginia, Incorporated	251,003
Martina Metal, Incorporated	833,228
David Williams & Associates	115,486
Accent Electronics	396,134
B. Armstrong Electrical Services, Incorporated	142,696
	<u>\$10,282,390</u>

Note 21 - Financial Position

Based on the most recent Board-adopted five year forecast, the School District is projecting a deficit cash balance and a deficit unreserved fund balance in fiscal years 2016 through 2018 of the projection. The Board has presented a plan to address this deficit to the Ohio Department of Education. The School District continues to be in a state of "Fiscal Caution".

Note 22 - Subsequent Event

On the November 5, 2013 election, the School District placed a 7.72 mill operating levy on the ballot. This levy failed.

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Donation	N/A	10.555	\$67,347	\$67,347
Cash Assistance:				
School Breakfast Program	048652-13	10.553	339,511	339,511
National School Lunch Program	048652-13	10.555	<u>813,815</u>	<u>813,815</u>
Cash Assistance Total			<u>1,153,326</u>	<u>1,153,326</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			1,220,673	1,220,673
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	048652-12	84.010	82,371	96,574
	048652-13		<u>640,677</u>	<u>593,648</u>
Title I Grants to Local Educational Agencies Subtotal			723,048	690,222
School Improvement Sub A, Title I	048652-12	84.010	5,392	24,846
	048652-13		<u>81,273</u>	<u>79,282</u>
School Improvement Sub A, Title I Subtotal			<u>86,665</u>	<u>104,128</u>
Total Title I Grants to Local Educational Agencies			809,713	794,350
Special Education, Grants to States (IDEA, Part B)	048652-12	84.027	(38,870)	450
	048652-13		<u>563,722</u>	<u>548,967</u>
Total Special Education, Grants to States (IDEA, Part B)			524,852	549,417
Career and Technical Education Basic Grants to States	048652-12	84.048		3,338
	048652-13		<u>27,435</u>	<u>26,813</u>
Total Career and Technical Education Basic Grants to States			27,435	30,151
Education Technology State Grants	048652-12	84.318		350
Rural Education	048652-12	84.358	(9,272)	3,355
	048652-13		<u>25,472</u>	<u>22,995</u>
Total Rural Education			16,200	26,350
Improving Teacher Quality State Grants	048652-12	84.367	2,687	19,884
	048652-13		<u>170,904</u>	<u>157,099</u>
Total Improving Teacher Quality State Grants			173,591	176,983
ARRA - Race to the Top, Recovery Act	048652-13	84.395	1,050	1,050
Education Jobs Fund	048652-12	84.410	<u>2,884</u>	<u>3,007</u>
Total U.S. Department of Education			<u>1,555,725</u>	<u>1,581,658</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,776,398</u>	<u>\$2,802,331</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of this Schedule.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the School District's federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2012 to 2013 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2012 to 2013</u>
Special Education, Grants to States (IDEA, Part B)	84.027	\$38,870
Rural Education	84.358	9,272



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Switzerland of Ohio Local School District
Monroe County
304 Mill Street
Woodsfield, Ohio 43793

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 28, 2014, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on July 31, 2010 and wherein we also noted the School District adopted Governmental Accounting Standards Board Statement No's. 63 and 65.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2013-001.

Entity's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Switzerland of Ohio Local School District
Monroe County
304 Mill Street
Woodsfield, Ohio 43793

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

Management's Responsibility

The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Special Education, Grants to States (IDEA, Part B)

As described in Findings 2013-002 through 2013-005 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2013-002	10.553/ 10.555	Child Nutrition Cluster	Allowable Costs/Cost Principles
2013-003	84.010	Title I Grants to Local Educational Agencies	Cash Management
2013-003	84.027	Special Education, Grants to States (IDEA, Part B)	Cash Management
2013-004	84.027	Special Education, Grants to States (IDEA, Part B)	Special Tests and Provisions
2013-005	10.553/ 10.555	Child Nutrition Cluster	Reporting

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to these programs.

Qualified Opinion on Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Special Education, Grants to States (IDEA, Part B)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Special Education, Grants to States (IDEA, Part B)* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Special Education, Grants to States (IDEA, Part B) for the year ended June 30, 2013.

The School District's responses to our noncompliance findings are described in the accompanying Schedule of Findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2013-002 through 2013-005 to be material weaknesses.

The School District's responses to our internal control over compliance findings are described in the accompanying Schedule of Findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2014

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**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Child Nutrition Cluster, CFDA #10.553 and #10.555 • Special Education – Grants to States (IDEA, Part B), CFDA #84.027 • Title I Grants to Local Educational Agencies, CFDA #84.010 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

At June 30, 2013, the Bond Retirement Debt Service Fund had expenditures of \$27,666,269 which exceeded appropriations of \$2,587,574 by \$25,078,695.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-001 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

We recommend the Treasurer monitor all fund expenditures to ensure expenditures remain within their respective budgeted amounts. The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if available and necessary.

Officials' Response: The Switzerland of Ohio Local School District commits to monitoring its Debt Service Fund more closely so that expenditures never exceed appropriations. We are also in the process of creating an excel spreadsheet that will allow us to more closely monitor all changes to our expenditures and revenues in all funds on a monthly basis. It is our goal to manage our budget and make appropriate amendments to the appropriations so that our expenditures never exceed appropriations.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2013-002
CFDA Title and Number	Child Nutrition Cluster, CFDA #10.553 and #10.555
Federal Award Number / Year	2012/2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Allowable Costs and Cost Principles

2 C.F.R. Part 225, Appendix B, Section 8(h)(3) states where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

2 C.F.R. Part 225, Appendix B, Section 8(h)(4) states where employees work on multiple activities or cost objectives, a distribution of their salaries and wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on:

- a. More than one federal award;
- b. A federal award and a non Federal Award;
- c. An indirect cost activity and a direct activity;
- d. Two or more indirect activities which are allocated using different allocation bases; or
- e. An unallowable activity and a direct or indirect cost activity.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER 2013-002 (Continued)

Noncompliance and Material Weakness – Allowable Costs and Cost Principles (Continued)

2 C.F.R. Part 225, Appendix B, paragraph 8(h)(5) states that personnel activity reports or equivalent documentation must meet the following standards:

- a. They must reflect an after-the-fact distribution of the actual activity of each employee;
- b. They must account for the total activity for which each employee is compensated;
- c. They must be prepared at least monthly and must coincide with one or more pay periods; and,
- d. They must be signed by the employee.

These requirements are applicable to both federal and state grants administered from Ohio Department of Education resources.

The School District did not provide single funded certifications for 100% of employees tested from the Child Nutrition Cluster federal grant.

The School District may have other grants to which these requirements apply.

We recommend the School District implement procedures to ensure that either single-funded certifications or time and effort documentation is maintained to support employees' salaries and fringe benefits paid from federal grant funds.

Officials' Response: See the Corrective Action Plan on page 69 for response.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2013-003
CFDA Title and Number	Title I Grants to Local Educational Agencies, CFDA #84.010 Special Education, Grants to States (IDEA, Part B), CFDA #84.027
Federal Award Number / Year	2012/2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Cash Management

34 C.F.R. 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount that apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 C.F.R. 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. Ohio Department of Education Project Cash Request Instructions state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 C.F.R. part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds **MUST** be expended within the period of time for which cash is requested.

For the Title I Grants to Local Educational Agencies grant, 79% of drawdowns were not spent within the period of time for which cash was requested.

For the Special Education, Grants to States (IDEA, Part B) grant, 63% of drawdowns were not spent within the period of time for which cash was requested.

We recommend the School District Treasurer review the process for requesting federal dollars to ensure the advance funds are used in the month in which they are received.

Officials' Response: See the Corrective Action Plan on page 69 for response.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2013-004
CFDA Title and Number	Special Education, Grants to States (IDEA, Part B), CFDA #84.027
Federal Award Number / Year	2012/2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness - Special Tests and Provisions-Multi-Factor Evaluation (MFE)

34 C.F.R. Part 300, Subpart D, Section 300.303(a) states a public agency must ensure that a reevaluation of each child with a disability is conducted in accordance with Section 300.304 through 300.311.

Further, Section 300.303(b)(2) states a re-evaluation conducted under paragraph (a) of this section must occur at least once every 3 years, unless the parent and the public agency agree that a re-evaluation is unnecessary.

Also, Ohio Admin. Code Section 3301-51-06(D)(1) and (2) provide that a school district of residence must ensure that a re-evaluation of each child with a disability is conducted in accordance with paragraphs (E) to (J) of this rule and establish limitations whereby a re-evaluation conducted under paragraph (D)(1) of this rule may occur not more than once a year, unless the parent and the school district agree otherwise and must occur at least once every three years, unless the parent and the school district agree that a re-evaluation is unnecessary.

For 16% of students tested, the School District did not perform a re-evaluation at least once every three years.

Failure to comply with this requirement could cause students not to receive needed special instruction in certain areas.

We recommend the School District implement procedures to ensure the re-evaluations are conducted timely.

Officials' Response: See the Corrective Action Plan on page 69 for response.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2013-005
CFDA Title and Number	Child Nutrition Cluster, CFDA #10.553 and #10.555
Federal Award Number / Year	2012/2013
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Reporting

7 C.F.R. 201.7(c) states to be entitled to reimbursement under this part, each school food authority shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation.

7 C.F.R. 201.7(c)(1) states to ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum: (i) Correctly approve each child's eligibility for free and reduced prices lunches and meal supplements based on the requirements prescribed under 7 C.F.R. part 245; (ii) Maintain a system to issue benefits and to update the eligibility of children approved for free or reduced price lunches and meal supplements; (iii) Base Claims for Reimbursement on lunch counts, taken daily at the point of service, which correctly identify the number of free, reduced price and paid lunches served to eligible children; (iv) Correctly record, consolidate and report those lunch and supplement counts on the Claim for Reimbursement; and (v) Ensure the Claims for Reimbursement do not request payment for any excess lunches produced, as prohibited in Section 210.10(a)(2), or non-Program lunches (i.e., a la carte or adult lunches) or for more than one meal supplement per child per day.

7 C.F.R. 201.8(a) states the school food authority shall establish internal controls which ensure the accuracy of lunch counts prior to submission of the monthly Claim for Reimbursement. At a minimum, these internal controls shall include: an on-site review of the lunch counting and claiming system employed by each school within the jurisdiction of the school food authority; comparisons of daily free, reduced price and paid lunch counts against data which will assist in the identification of lunch counts in excess of the number of free, reduced price and paid lunches served each day to children eligible for such lunches; and a system for following up on those lunch counts which suggest the likelihood of lunch counting problems.

7 C.F.R. 201.8(a)(1) states prior to the submission of a monthly Claim for Reimbursement, each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches.

For 3 out of 10 months of Claim for Reimbursement Forms tested, variances were noted between the number of meals served on the claim forms with the number of meals served on the handwritten daily count sheets. It was also noted that 47% of the individual school building claims reports for the 3 months tested were not supported by handwritten daily count sheets.

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number 2013-005 (Continued)

Noncompliance and Material Weakness – Reporting (Continued)

We recommend the School District establish internal controls to ensure the accuracy of the lunch counts prior to completing and submitting the Claims for Reimbursement forms and to ensure the claim forms are supported by adequate documentation of the free, reduced and paid lunches served each day.

Officials' Response: See the Corrective Action Plan on page 69 for response.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the Debt Service Fund.	No	Not Corrected; Reissued as Finding No. 2013-001.
2012-02	34 C.F.R. 80.21(c), drawdowns were not spent within the period of time for which cash was requested.	No	Not Corrected; Reissued as Finding No. 2013-003.
2012-03	34 C.F.R. Part 300, Subpart D, Section 300.303(a) a re-evaluation was not performed once every three years on children with disabilities.	No	Not Corrected; Reissued as Finding No. 2013-004.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-002	The Switzerland of Ohio Local School District will ensure that for all employees paid from federal funds that they have the proper documentation on file to include either single funded certificates or time/effort documentation.	June 30, 2014	Lance Erlwein, Treasurer
2013-003	The Switzerland of Ohio Local School District commits to immediately implementing a policy that will allow us to better monitor and manage the funds we receive from federal sources. This new policy involves completing the project cash requests within the first three days of the month in order to minimize the time lapsed between receipt and disbursement of funds. We also plan to closely monitor our funding requirements so that we never request more funds than are necessary. It is our goal to manage all federal funds per state and federal guidelines to ensure the advance funds are used in the month in which they are received.	June 30, 2014	Lance Erlwein, Treasurer
2013-004	<p>The Switzerland of Ohio Local School District acknowledges that we currently have evaluations that are out of compliance with the three year evaluation rule. Since identifying this deficiency in 2011, many new procedures and protocols have been implemented. These include: 1) Creation of an updated data base that will accurately track and monitor all identified students. Areas of focus include ETR due dates, IEP due dates, related service needs, and scheduling of classes. 2) Hiring two psychologists to replace the previously vacated positions. 3) Offering continual professional development in the evaluation process. 4) Updated our evaluation procedures to include the parent-teacher conference, IAT conferences, IEP conferences, and teacher DATA to expedite the reevaluation process.</p> <p>Since the inception of these procedures and protocols, we have seen a significant decrease in the number of evaluations that are out of compliance. Our goal is to be 100% compliant by the end of the 2013-2014 school year.</p>	June 30, 2014	Kassie Anderson, Director of Federal Programs
2013-005	The Switzerland of Ohio Local School District will work with cafeteria personnel to ensure daily counts are entered accurately into the cafeteria software. The Food Service Manager will review daily count sheets and investigate any unusual activity to ensure the end of the month counts are accurately entered for reimbursement.	June 30, 2014	Tina Hogue, Food Service Director

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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Switzerland Local School District
Monroe County
304 Mill Street
Woodsfield, Ohio 43793

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 the Switzerland of Ohio Local School District, Monroe County, Ohio, 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 January 31, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

Columbus, Ohio

February 28, 2014

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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 27, 2014