

**SWITZERLAND OF OHIO LOCAL SCHOOL
DISTRICT**

MONROE COUNTY, OHIO

SINGLE AUDIT

For the Year Ended June 30, 2018





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Board of Education
Switzerland of Ohio Local School District
304 Mill Street
Woodsfield, OH 43793

We have reviewed the *Independent Auditor's Report* of the Switzerland of Ohio Local School District, Monroe County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

FINDING FOR RECOVERY

Former Athletic Director, Ryan Rosnick, was responsible for the collection and counting of all athletic gate receipts at Monroe Central High School of the Switzerland of Ohio Local School District. Mr. Rosnick also completed triplicate Athletic Department receipts and All Ticket Sales Record forms which indicated the number of tickets sold and total amount of monies collected.

During the 2015-2016 school year, an All Ticket Sales Record form was prepared and signed by Mr. Rosnick for a varsity basketball game totaling \$1,420. During the 2017-2018 school year, a triplicate Athletic Department receipt was prepared and signed by Mr. Rosnick for multiple volleyball gate receipts totaling \$4,044. In both instances, there was no corresponding deposit or receipt in the District's records for these athletic gate receipts. Mr. Rosnick submitted his resignation as Athletic Director on July 9, 2019.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money collected but unaccounted for is hereby issued against Ryan Rosnick in the amount of \$5,464, and in favor of the Switzerland of Ohio Local School District, MCHS Athletics Admission Fund.

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304 Mill Street
Woodsfield, OH 43793
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Switzerland of Ohio Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, stylized 'K' and 'F'.

Keith Faber
Auditor of State
Columbus, Ohio

December 30, 2019

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MONROE COUNTY
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MONROE COUNTY
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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

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 District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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, 2018, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 that the management's discussion and analysis and schedules of net pension liabilities, pension contributions, net OPEB liabilities, and OPEB contributions listed in the table of contents, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

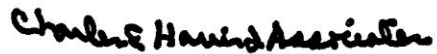
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Switzerland of Ohio Local School District, Monroe County, Ohio's basic financial statements.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 November 27, 2019 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
November 27, 2019

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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, 2018. 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 2018 are as follows:

- In total, net position of governmental activities increased \$15,787,891.
- General revenues accounted for \$38,782,475 in revenue or 88 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,297,188 or 12 percent of total revenues of \$44,079,663.
- Total assets increased \$12,037,249 due to increases in cash and cash equivalents, property taxes receivable, and capital assets. In addition, deferred outflows increased \$3,578,982 due to pension and OPEB related items. Long-term liabilities decreased \$5,619,965 due to pension and OPEB related items and these were offset by increases in capital leases.
- The School District had \$28,291,772 in expenses related to governmental activities; only \$5,297,188 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes and intergovernmental revenues) of \$38,782,475 were 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 and also provide information in more detail than the government-wide statements.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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 2017-2018 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.

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 13. 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 and the Bond Retirement Debt Service 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.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide 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.

Reporting the District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, and other government units. These activities are reported in an agency fund. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

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 2018 compared to fiscal year 2017:

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

(Table 1)
Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	\$48,057,186	\$38,897,179	\$9,160,007
Capital Assets, Net	83,719,632	80,842,390	2,877,242
<i>Total Assets</i>	<u>131,776,818</u>	<u>119,739,569</u>	<u>12,037,249</u>
Deferred Outflows of Resources			
Pension	9,858,725	6,867,057	2,991,668
OPEB	647,232	59,918	587,314
<i>Total Deferred Outflows of Resources</i>	<u>10,505,957</u>	<u>6,926,975</u>	<u>3,578,982</u>
Liabilities			
Current and Other Liabilities	4,323,245	4,212,237	111,008
Long-Term Liabilities			
Due Within One Year	1,373,986	978,042	395,944
Due in More Than One Year:			
Net Pension Liability	27,116,235	34,921,218	(7,804,983)
Net OPEB Liability	6,342,035	7,318,989	(976,954)
Other Amounts Due in More Than One Year	34,745,607	31,979,579	2,766,028
<i>Total Liabilities</i>	<u>73,901,108</u>	<u>79,410,065</u>	<u>(5,508,957)</u>
Deferred Inflows of Resources			
Property Taxes	19,984,775	15,150,536	4,834,239
Pension	2,148,743	2,351,581	(202,838)
OPEB	705,896	0	705,896
<i>Total Deferred Inflows of Resources</i>	<u>22,839,414</u>	<u>17,502,117</u>	<u>5,337,297</u>
Net Position			
Net Investment in Capital Assets	49,695,269	49,276,559	418,710
Restricted	9,138,853	8,774,706	364,147
Unrestricted (Deficit)	<u>(13,291,869)</u>	<u>(28,296,903)</u>	<u>15,005,034</u>
<i>Total Net Position</i>	<u>\$45,542,253</u>	<u>\$29,754,362</u>	<u>\$15,787,891</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27". For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
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In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$37,013,433 to \$29,754,362.

Total assets increased \$12,037,249. Current and other assets increased in the amount of \$9,160,007. Property taxes receivable increased by \$4,504,439 due to the increased valuation of real property and public utility property due to the oil and gas industry new construction. In addition, first half property tax collections from the School District's largest tax base did not occur until after fiscal year end. The increases in valuations also resulted in increases in cash collections of property tax revenues leading ultimately leading to an increase in cash and cash equivalents in the amount of \$4,608,656. Another reason for the increase in cash results from amounts on deposit with fiscal agents used to pay claims of the School District's Self-Insurance Internal Service Fund. Cash received from transactions with other funds exceeded operating expenses by over one million dollars. Capital assets reflect an increase in the amount of \$2,877,242 due to the current year capitalization of assets exceeding depreciation and disposal of assets.

Deferred outflows of resources increased in the amount of \$3,578,982. The increase is the result of an increase in the changes of assumptions related to the School District's proportionate share of the net pension liability. In addition, deferred outflows of resources increased as a result of the differences between expected and actual experience relating to the OPEB liability.

In total, liabilities decreased by \$5,508,957. Long-term liabilities excluding the pension and OPEB liabilities, increased in the amount of \$3,161,972. During fiscal year 2018, the School District entered into capitalized lease arrangements totaling \$3,954,000 for the purchase of a copier and for the upgrade of existing facilities.

Deferred inflows of resources from property taxes increased \$4,834,239. Amounts available as an advance, which proportionately changes the deferred amount, along with the late first-half property tax settlement created this increase. In addition, the net of the changes in pension and OPEB items, discussed elsewhere, added to the overall increase.

By comparing assets, deferred outflows of resources, liabilities, and deferred inflows of resources, one can see the overall position of the School District has improved as evidenced by the increase in net position in the amount of \$15,787,891. The largest change is in unrestricted net position due primarily to the change in pension and OPEB related items along with property taxes receivable levied for general purposes. Net investment in capital assets and restricted net position have remained relatively stable.

Table 2 shows the changes in net position for fiscal year 2018, and comparisons to fiscal year 2017:

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Table 2
Changes in Net Position of Governmental Activities

	2018	2017	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$916,174	\$1,059,629	(\$143,455)
Operating Grants and Contributions	4,381,014	4,566,186	(185,172)
Capital Grants and Contributions	0	41,563	(41,563)
Total Program Revenues	<u>5,297,188</u>	<u>5,667,378</u>	<u>(370,190)</u>
General Revenues			
Property Taxes	22,823,393	19,220,699	3,602,694
Grants and Entitlements	14,202,859	13,969,542	233,317
Investment Earnings	183,208	194,212	(11,004)
Miscellaneous and Other Revenues	1,573,015	208,409	1,364,606
Total General Revenues	<u>38,782,475</u>	<u>33,592,862</u>	<u>5,189,613</u>
Total Revenues	<u>44,079,663</u>	<u>39,260,240</u>	<u>4,819,423</u>
Program Expenses			
Instruction			
Regular	8,228,365	14,093,150	(5,864,785)
Special	2,300,253	4,161,035	(1,860,782)
Vocational	904,849	1,761,952	(857,103)
Intervention	7,950	9,564	(1,614)
Support Services			
Pupils	915,820	1,404,701	(488,881)
Instructional Staff	1,823,452	1,665,752	157,700
Board of Education	25,983	26,025	(42)
Administration	2,626,295	3,799,707	(1,173,412)
Fiscal	1,072,073	1,381,579	(309,506)
Operation and Maintenance of Plant	3,386,308	3,377,473	8,835
Pupil Transportation	3,366,400	3,493,238	(126,838)
Central	264,637	160,570	104,067
Operation of Non-Instructional Services	1,598,326	1,946,843	(348,517)
Extracurricular Activities	551,928	703,428	(151,500)
Interest	1,219,133	1,211,871	7,262
Total Expenses	<u>28,291,772</u>	<u>39,196,888</u>	<u>(10,905,116)</u>
Change in Net Position	15,787,891	63,352	15,724,539
Net Position Beginning of Year	<u>29,754,362</u>	N/A	
Net Position End of Year	<u>\$45,542,253</u>	<u>\$29,754,362</u>	<u>\$15,787,891</u>

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$59,918 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$769,242. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$28,291,772
Negative OPEB expense under GASB 75	769,242
2018 contractually required contribution	<u>59,918</u>
Adjusted 2018 program expenses	29,120,932
Total 2017 program expenses under GASB 45	<u>39,196,888</u>
Decrease in program expenses not related to OPEB	<u><u>(\$10,075,956)</u></u>

The largest component of the decrease in program expenses results from changes in assumptions and benefit terms related to pensions. STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). SERS decreased their COLA assumption. (See Note 13) As a result of these changes, pension expense decreased from \$1,840,194 in fiscal year 2017 to a negative pension expense of \$8,789,080 for fiscal year 2018. The allocation of the fiscal year 2018 negative pension expense to program expenses is as follows:

Program Expenses	2018 Program Expenses Related to Negative Pension Expense
Instruction:	
Regular	\$4,875,443
Special	1,433,234
Vocational	638,624
Student Intervention Services	2,720
Support Services:	
Pupils	592,418
Instructional Staff	98,344
Board of Education	163
Administration	893,674
Fiscal	6,462
Operation and Maintenance of Plant	20,440
Pupil Transportation	31,274
Central	1,045
Operation of Non-Instructional Services	17,049
Extracurricular Activities	<u>178,190</u>
Total Expenses	<u><u>\$8,789,080</u></u>

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

As can be seen from Table 2, total revenues increased in the amount of \$4,819,423 as a result of general revenues of property taxes and miscellaneous and other revenues. Property taxes increased as a result of increased property tax valuations as discussed earlier. See Note 7 for more information on property tax values and rates. Miscellaneous and other revenues increased by \$1,364,606 as a result of oil and gas lease signing and gas production royalties. During fiscal year 2018, the School District benefited from a renewal of an oil and gas bonus lease payment.

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 52 percent of governmental activities revenues for Switzerland of Ohio Local School District in fiscal year 2018. The remaining 49 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid and charges for services.

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 \$1,146,848 as a result of a greater number of students leaving to attend other school districts as compared to incoming students from other school districts.

The School District's expenses decreased approximately twenty-eight percent from fiscal year 2017 to fiscal year 2018. Instruction comprises 40 percent of governmental program expenses and reflected a \$8,584,284 decrease from fiscal year 2017. Of the instructional expenses, approximately 72 percent is for regular instruction, 20 percent is for special instruction, and 8 percent is for vocational and intervention programs. Expenses have decreased in the majority of programs, with the largest changes being in regular instruction, special instruction, and administration support services. These decreases are the direct result of negative pension/OPEB expense as explained earlier. Without the negative pension/OPEB expense, the decrease in program expenses would have been \$1,346,794 or approximately three percent, as the administration is actively working toward a conservative spending plan.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, and contributions 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, 2018
Unaudited

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2018	2018	2017	2017
Program Expenses				
Instruction				
Regular	\$8,228,365	\$7,738,249	\$14,093,150	\$13,650,450
Special	2,300,253	(42,073)	4,161,035	1,617,980
Vocational	904,849	629,685	1,761,952	1,473,273
Intervention	7,950	3,319	9,564	(1,947)
Support Services				
Pupils	915,820	859,095	1,404,701	1,347,209
Instructional Staff	1,823,452	1,319,789	1,665,752	1,399,209
Board of Education	25,983	25,983	26,025	26,025
Administration	2,626,295	2,624,732	3,799,707	3,798,963
Fiscal	1,072,073	1,072,073	1,381,579	1,381,579
Operation and Maintenance of Plant	3,386,308	3,305,086	3,377,473	3,156,840
Pupil Transportation	3,366,400	3,232,197	3,493,238	3,403,517
Central	264,637	264,637	160,570	160,570
Operation of Non-Instructional Services	1,598,326	476,314	1,946,843	557,489
Extracurricular Activities	551,928	266,365	703,428	346,482
Interest	1,219,133	1,219,133	1,211,871	1,211,871
Total	\$28,291,772	\$22,994,584	\$39,196,888	\$33,529,510

The dependence upon tax revenues and unrestricted government subsidies for governmental activities is apparent. Approximately 81 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

The School District's Funds

Information about the School District's major funds begins on page 17. These 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 \$43,948,393 and expenditures in the amount of \$45,060,748. The total governmental funds increase in fund balance (including other financing sources and uses) was \$2,841,207 with 98 percent of this increase attributable to the General Fund. The General Fund's balance increased by \$2,776,366 largely the result of an increase in property taxes of approximately 19 percent. This was due to increased valuations as previously discussed. The Bond Retirement Debt Service Fund's total revenues of \$2,396,819 were higher than total expenditures of \$2,091,428. The revenues and expenditures of this fund are related to debt service requirements in accordance with amortization schedules associated with the School District's outstanding debt. The millage for debt service property tax revenue is analyzed each year by the County Auditor so as not to have an excessive balance as compared to future debt service requirements.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
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 did amend its General Fund original budget throughout the year, and as such, the figures reflect original and final budgeted amounts. Estimated property tax revenue was increased in the amount of \$3,494,670 as it became evident that property tax revenues related to the oil and gas industry new construction were exceeding the original budget estimate. Original budgeted amounts for instructional staff support services were increased by \$561,770 to \$1,446,746 as the School District added new personnel positions during fiscal year 2018.

The net change in fund balance and the General Fund ending unobligated fund balance was \$224,676 higher than the final estimate primarily due to year-end budget alignments.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the School District had \$83,719,632 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, 2018, the School District had \$31,132,188 outstanding in various school improvement bonds, including premiums and accretion. The two separate school improvement bond issues 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 outstanding capital lease obligations in the amount of \$3,953,548. 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 ended fiscal year 2018 with a positive cash flow which reflects the efforts of the Administration of the School District 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 Connie Kress, Treasurer at Switzerland of Ohio Local School District, 304 Mill Street, Woodsfield, Ohio, 43793, or e-mail at connie.kress@omeresanet.net.

Switzerland of Ohio Local School District, Ohio
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$24,091,248
Cash and Cash Equivalents with Fiscal Agents	1,445,738
Prepaid Items	170,882
Accounts Receivable	98,344
Intergovernmental Receivable	858,450
Inventory Held for Resale	13,327
Materials and Supplies Inventory	2,672
Accrued Interest Receivable	12,566
Property Taxes Receivable	21,363,959
Nondepreciable Capital Assets	5,308,564
Depreciable Capital Assets, Net	78,411,068
Total Assets	131,776,818
Deferred Outflows of Resources	
Pension	9,858,725
OPEB	647,232
Total Deferred Outflows of Resources	10,505,957
Liabilities	
Accounts Payable	203,850
Accrued Wages and Benefits Payable	2,212,846
Intergovernmental Payable	789,837
Accrued Interest Payable	139,778
Retainage Payable	60,398
Unearned Revenue	25,425
Claims Payable	891,111
Long-Term Liabilities:	
Due Within One Year	1,373,986
Due In More Than One Year:	
Net Pension Liability (See Note 13)	27,116,235
Net OPEB Liability (See Note 14)	6,342,035
Other Amounts Due In More Than One Year	34,745,607
Total Liabilities	73,901,108
Deferred Inflows of Resources	
Property Taxes	19,984,775
Pension	2,148,743
OPEB	705,896
Total Deferred Inflows of Resources	22,839,414
Net Position	
Net Investment in Capital Assets	49,695,269
Restricted for:	
Debt Service	6,626,146
Capital Projects	467,418
Classroom Facilities Maintenance	1,322,784
Federal Programs	523,300
State Programs	34,082
Athletic and Music Programs	150,969
Local Grants	14,154
Unrestricted (Deficit)	(13,291,869)
Total Net Position	\$45,542,253

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$8,228,365	\$251,171	\$238,945	(\$7,738,249)
Special	2,300,253	241,093	2,101,233	42,073
Vocational	904,849	0	275,164	(629,685)
Student Intervention	7,950	0	4,631	(3,319)
Support Services:				
Pupils	915,820	0	56,725	(859,095)
Instructional Staff	1,823,452	0	503,663	(1,319,789)
Board of Education	25,983	0	0	(25,983)
Administration	2,626,295	0	1,563	(2,624,732)
Fiscal	1,072,073	0	0	(1,072,073)
Operation and Maintenance of Plant	3,386,308	17,500	63,722	(3,305,086)
Pupil Transportation	3,366,400	0	134,203	(3,232,197)
Central	264,637	0	0	(264,637)
Operation of Non-Instructional Services:				
Food Service Operations	1,533,701	195,087	861,257	(477,357)
Other Non-Instructional Services	64,625	0	65,668	1,043
Extracurricular Activities	551,928	211,323	74,240	(266,365)
Interest	1,219,133	0	0	(1,219,133)
Total Governmental Activities	<u>\$28,291,772</u>	<u>\$916,174</u>	<u>\$4,381,014</u>	<u>(22,994,584)</u>
General Revenues				
Property Taxes Levied for:				
				20,434,266
				2,080,428
				308,699
Grants and Entitlements not Restricted to Specific Programs				
				14,202,859
Investment Earnings				
				183,208
Oil and Gas Leases and Royalties				
				1,358,506
Miscellaneous				
				214,509
Total General Revenues				
				<u>38,782,475</u>
Change in Net Position				
				15,787,891
Net Position Beginning of Year - Restated (See Note 3)				
				<u>29,754,362</u>
Net Position End of Year				
				<u>\$45,542,253</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$12,322,606	\$6,691,758	\$4,294,328	\$23,308,692
Materials and Supplies Inventory	0	0	2,672	2,672
Inventory Held for Resale	0	0	13,327	13,327
Accounts Receivable	30,649	0	67,695	98,344
Interfund Receivable	610,476	0	0	610,476
Intergovernmental Receivable	235,319	0	623,131	858,450
Accrued Interest Receivable	12,566	0	0	12,566
Prepaid Items	167,594	0	3,288	170,882
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	0	0	740,494	740,494
Property Taxes Receivable	19,127,617	1,937,592	298,750	21,363,959
Total Assets	<u>\$32,506,827</u>	<u>\$8,629,350</u>	<u>\$6,043,685</u>	<u>\$47,179,862</u>
Liabilities				
Accounts Payable	\$144,577	\$0	\$59,273	\$203,850
Accrued Wages and Benefits Payable	2,009,474	0	203,372	2,212,846
Interfund Payable	0	0	610,476	610,476
Intergovernmental Payable	724,356	0	65,481	789,837
Retainage Payable	0	0	60,398	60,398
Unearned Revenue	0	0	25,425	25,425
Total Liabilities	<u>2,878,407</u>	<u>0</u>	<u>1,024,425</u>	<u>3,902,832</u>
Deferred Inflows of Resources				
Property Taxes	17,900,575	1,804,704	279,496	19,984,775
Unavailable Revenue	541,468	42,641	465,560	1,049,669
Total Deferred Inflows of Resources	<u>18,442,043</u>	<u>1,847,345</u>	<u>745,056</u>	<u>21,034,444</u>
Fund Balances				
Nonspendable:				
Inventories	0	0	2,672	2,672
Prepaid Items	167,594	0	3,288	170,882
Restricted for:				
Athletic and Music Expenditures	0	0	150,969	150,969
Capital Improvements	0	0	1,147,514	1,147,514
Debt Service	0	6,782,005	0	6,782,005
Classroom Facilities Maintenance	0	0	1,315,335	1,315,335
State Grant Expenditures	0	0	34,082	34,082
Federal Grant Expenditures	0	0	262,074	262,074
Local Grants	0	0	14,154	14,154
Committed to:				
Scholarships	0	0	42,832	42,832
Severance Payments	504,400	0	0	504,400
Encumbrances	103,727	0	0	103,727
Capital Improvements	0	0	1,681,403	1,681,403
Assigned to:				
Purchases on Order	272,529	0	0	272,529
Student Activities	90,520	0	0	90,520
Unassigned (Deficit)	10,047,607	0	(380,119)	9,667,488
Total Fund Balances	<u>11,186,377</u>	<u>6,782,005</u>	<u>4,274,204</u>	<u>22,242,586</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$32,506,827</u>	<u>\$8,629,350</u>	<u>\$6,043,685</u>	<u>\$47,179,862</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2018

Total Governmental Fund Balances \$22,242,586

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. 83,719,632

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	434,118	
Intergovernmental Revenues	555,590	
Interest	2,329	
Customer Sales and Services	52,126	
Oil and Gas Leases and Royalties	5,506	
Total		1,049,669

Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available resources and therefore are not reported in the funds. (139,778)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

School Improvement Bonds - Serial	(18,490,000)	
School Improvement Bonds - Term	(11,730,000)	
School Improvement Bonds - Capital Appreciation	(67,956)	
Accretion on Capital Appreciation Bonds	(322,555)	
Bond Premium	(521,677)	
Capital Leases	(3,953,548)	
Compensated Absences Payable	(1,033,857)	
Total		(36,119,593)

The net pension/OPEB liability is not due and payable in the current period and therefore the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	9,858,725	
Deferred Inflows - Pension	(2,148,743)	
Net Pension Liability	(27,116,235)	
Deferred Outflows - OPEB	647,232	
Deferred Inflows - OPEB	(705,896)	
Net OPEB Liability	(6,342,035)	
Total		(25,806,952)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

596,689

Net Position of Governmental Activities

\$45,542,253

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$20,421,383	\$2,086,462	\$308,560	\$22,816,405
Intergovernmental	15,186,204	169,324	3,017,069	18,372,597
Interest	37,751	141,033	296	179,080
Tuition and Fees	471,261	0	0	471,261
Rentals	17,736	0	0	17,736
Extracurricular Activities	4,596	0	206,727	211,323
Gifts and Donations	9,856	0	111,798	121,654
Charges for Services	21,003	0	168,961	189,964
Oil and Gas Leases and Royalties	1,353,000	0	0	1,353,000
Miscellaneous	214,170	0	1,203	215,373
Total Revenues	<u>37,736,960</u>	<u>2,396,819</u>	<u>3,814,614</u>	<u>43,948,393</u>
Expenditures				
Current:				
Instruction:				
Regular	13,322,491	0	216,423	13,538,914
Special	2,862,282	0	1,161,104	4,023,386
Vocational	1,624,475	0	19,495	1,643,970
Student Intervention Services	6,083	0	5,416	11,499
Support Services:				
Pupils	1,561,499	0	54,410	1,615,909
Instructional Staff	1,440,969	0	473,240	1,914,209
Board of Education	26,833	0	0	26,833
Administration	3,588,429	0	1,566	3,589,995
Fiscal	1,010,951	65,384	8,270	1,084,605
Operation and Maintenance of Plant	3,093,008	0	188,456	3,281,464
Pupil Transportation	2,981,763	0	622	2,982,385
Central	251,656	0	30,211	281,867
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,405,623	1,405,623
Other Non-Instructional Services	13,849	0	60,479	74,328
Extracurricular Activities	478,817	0	308,016	786,833
Capital Outlay	353,760	0	6,360,255	6,714,015
Debt Service:				
Principal Retirement	5,050	787,174	0	792,224
Interest on Capital Appreciation Bonds	0	97,826	0	97,826
Interest and Fiscal Charges	688	1,141,044	0	1,141,732
Issuance Costs	0	0	53,131	53,131
Total Expenditures	<u>32,622,603</u>	<u>2,091,428</u>	<u>10,346,717</u>	<u>45,060,748</u>
Excess of Revenues Over (Under) Expenditures	<u>5,114,357</u>	<u>305,391</u>	<u>(6,532,103)</u>	<u>(1,112,355)</u>
Other Financing Source (Use)				
Transfers In	0	0	2,662,822	2,662,822
Inception of Capital Lease	8,000	0	3,946,000	3,954,000
Transfers Out	(2,345,991)	0	(317,269)	(2,663,260)
Total Other Financing Source (Use)	<u>(2,337,991)</u>	<u>0</u>	<u>6,291,553</u>	<u>3,953,562</u>
Net Change in Fund Balances	2,776,366	305,391	(240,550)	2,841,207
Fund Balances Beginning of Year	<u>8,410,011</u>	<u>6,476,614</u>	<u>4,514,754</u>	<u>19,401,379</u>
Fund Balances End of Year	<u>\$11,186,377</u>	<u>\$6,782,005</u>	<u>\$4,274,204</u>	<u>\$22,242,586</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
 Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$2,841,207

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	6,795,105	
Current Year Depreciation	(3,609,316)	3,185,789

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 the loss on disposal of assets. (308,547)

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

Delinquent Property Taxes	6,988	
Intergovernmental	89,622	
Rent	(236)	
Charges for Services	26,126	
Oil and Gas Leases and Royalties	5,506	
Miscellaneous Revenue	(864)	127,142

The inception of a capital lease and the issuance of a capital lease are other financing sources in the governmental funds, but they increase long-term liabilities on the statement of net position:

Inception of Capital Lease	(8,000)	
Issuance of Capital Lease	(3,946,000)	(3,954,000)

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	(101,488)	
Amortization of Bond Premium	36,197	
Accrued Interest	(12,110)	(77,401)

Repayments of principal and capital appreciation bond interest are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position:

Bonds	787,174	
Capital Appreciation Bond Interest	97,826	
Capital Leases	5,050	890,050

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	2,210,409	
OPEB	89,130	2,299,539

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities:

Pension	8,789,080	
OPEB	769,242	9,558,322

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. (32,731)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. The net change in net position of the internal service fund is reported with governmental activities. 1,258,521

Change in Net Position of Governmental Activities \$15,787,891

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$17,203,892	\$20,698,562	\$20,698,562	\$0
Intergovernmental	15,257,076	15,235,654	15,192,960	(42,694)
Interest	70,000	91,588	98,082	6,494
Tuition and Fees	308,000	475,881	476,021	140
Rentals	14,000	17,557	17,747	190
Extracurricular Activities	0	4,596	4,596	0
Contributions and Donations	9,484	9,484	9,484	0
Charges for Services	23,200	20,964	21,003	39
Oil and Gas Leases and Royalties	150,000	1,358,222	1,358,222	0
Miscellaneous	175,516	255,676	149,738	(105,938)
Total Revenues	33,211,168	38,168,184	38,026,415	(141,769)
Expenditures				
Current:				
Instruction:				
Regular	12,868,388	13,341,140	13,321,545	19,595
Special	3,106,675	2,958,575	2,946,982	11,593
Vocational	1,633,552	1,657,543	1,645,348	12,195
Student Intervention	0	0	4,648	(4,648)
Support Services:				
Pupils	1,338,618	1,591,918	1,584,407	7,511
Instructional Staff	884,976	1,446,746	1,435,868	10,878
Board of Education	29,000	26,130	25,640	490
Administration	3,567,248	3,652,433	3,626,668	25,765
Fiscal	934,243	1,027,805	1,019,581	8,224
Operation and Maintenance of Plant	3,161,984	3,243,184	3,219,407	23,777
Pupil Transportation	3,343,050	3,062,390	2,972,690	89,700
Central	139,526	254,798	251,765	3,033
Operation of Non-Instructional Services	0	14,600	13,795	805
Extracurricular Activities	278,302	423,804	414,417	9,387
Capital Outlay	0	345,760	345,760	0
Debt Service:				
Principal Retirement	5,050	5,050	5,050	0
Interest and Fiscal Charges	688	688	688	0
Total Expenditures	31,291,300	33,052,564	32,834,259	218,305
Excess of Revenues Over Expenditures	1,919,868	5,115,620	5,192,156	76,536
Other Financing Sources (Uses)				
Advances In	758,101	758,101	753,659	(4,442)
Advances Out	(150,000)	(610,476)	(610,476)	0
Transfers In	0	217	0	(217)
Transfers Out	(392,220)	(2,498,790)	(2,495,991)	2,799
Other Financing Uses	(751,131)	(150,000)	0	150,000
Total Other Financing Sources (Uses)	(535,250)	(2,500,948)	(2,352,808)	148,140
Net Change in Fund Balance	1,384,618	2,614,672	2,839,348	224,676
Fund Balance Beginning of Year	8,001,399	8,001,399	8,001,399	0
Prior Year Encumbrances Appropriated	520,056	520,056	520,056	0
Fund Balance End of Year	\$9,906,073	\$11,136,127	\$11,360,803	\$224,676

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Fund Net Position
Proprietary Fund
June 30, 2018

	Governmental Activity
	Internal Service Fund
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$42,062
Cash and Cash Equivalents with Fiscal Agents	1,445,738
 Total Assets	 1,487,800
 Current Liabilities	
Claims Payable	891,111
 Net Position	
Unrestricted	\$596,689

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activity
	Internal Service Fund
Operating Revenues	
Charges for Services	\$8,026,549
Operating Expenses	
Purchased Services	924,876
Claims	5,847,718
Total Operating Expenses	6,772,594
Operating Income	1,253,955
Non-Operating Revenues	
Interest	4,128
Income before Transfers	1,258,083
Transfers In	438
Net Change in Net Position	1,258,521
Net Position (Deficit) Beginning of Year	(661,832)
Net Position End of Year	\$596,689

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$8,026,549
Cash Payments for Goods and Services	(924,876)
Cash Payments for Claims	(5,754,940)
	1,346,733
Cash Flows from Noncapital Financing Activities	
Transfers In	438
Cash Flows from Investing Activities	
Interest	4,128
Net Increase in Cash and Cash Equivalents	1,351,299
Cash and Cash Equivalents Beginning of Year	136,501
Cash and Cash Equivalents End of Year	\$1,487,800
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$1,253,955
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	79,014
Increase in Claims Payable	13,764
	1,346,733
Net Cash Provided by Operating Activities	\$1,346,733

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$0	\$109,555
Cash and Cash Equivalents in Segregated Accounts	133	0
Investments in Segregated Accounts	185,974	0
Total Assets	186,107	\$109,555
Liabilities		
Due to Students	0	\$109,555
Net Position		
Held In Trust for Scholarships	\$186,107	

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions	
Investment Income	\$1,608
Deductions	
Payments in Accordance with Trust Agreements	2,278
Change in Net Position	(670)
Net Position Beginning of Year	186,777
Net Position End of Year	\$186,107

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 portions of Noble and Belmont Counties. The Board of Education controls the School District's ten instructional/support facilities staffed by 168 classified employees, 225 certificated full-time teaching personnel/administrative employees who provide services to 2,282 students and other community members.

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.

The School District participates in three organizations which are defined as jointly governed organizations and three insurance purchasing pools. 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 (CORAS), the Metropolitan Educational Technology Association (META), the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (GRP), the Ohio School Plan (OSP), and the Jefferson Health Plan Self-Insurance Plan. Additional information concerning these organizations is presented in Note 17.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

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. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. 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.

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 three categories of funds: governmental, proprietary, and fiduciary.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The General Fund and the Bond Retirement Debt Service 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 restricted for the payment of general obligation principal and interest.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The School District's only proprietary fund type is an internal service fund:

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's internal service fund accounts for the operations of the School District's self-insurance program for employee medical, prescription drug, and dental benefits.

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.

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, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity

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. Proprietary and 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 outflows/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. Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Note 13 and 14.

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, pension, OPEB plans, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018 but which were levied to finance fiscal year 2019 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, rent, charges for services, oil and gas leases/royalties, and miscellaneous revenue. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 13 and 14)

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.

Cash, Cash Equivalents, and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, except the private purpose trust fund, segregated accounts, and cash with fiscal agents, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District has separate bank accounts for self-insurance and the private purpose trust fund monies. The portion of self-insurance fund balance that is distributed for medical/surgical and prescription drug claims is presented on the financial statements as "cash and cash equivalents with fiscal agents. The private purpose trust fund scholarship monies are kept separate from the School District treasury. These accounts are presented on the financial statements as "cash and cash equivalents and investments in segregated accounts".

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 and not purchased from the cash management pool reported as investments. The School District reports the change in fair value of investments. The calculation of realized gains/losses of the current period is independent of the calculation of the change in fair value of investments. The realized gains/losses of the current period include unrealized amounts from prior periods.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

During fiscal year 2018, the School District's investments were limited to money market funds, commercial paper, negotiable certificate of deposit, and federal agency securities. All of these investments are stated at fair value based on quoted market prices.

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 2018 amounted to \$37,751, of which \$13,749 is assigned from other School District funds.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, 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.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and donated and purchased commodities held for resale.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result 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 acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District currently capitalizes land, 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 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

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

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.

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.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund which the employees who will receive the payment are paid.

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, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefits payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Pensions/Other Postemployment Benefits (OPEB)

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

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 current period. 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.

Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Internal 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.

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 governmental funds represent unexpended revenues restricted by a lease arrangement for future debt service payments.

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.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

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 State statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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.

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 external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for miscellaneous local grants.

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services and other operating revenues of the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

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.

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 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 - Change in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
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For fiscal year 2018, the School District also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the School District's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	\$37,013,433
Adjustments:	
Net OPEB Liability	(7,318,989)
Deferred Outflow - Payments Subsequent to Measurement Date	59,918
Restated Net Position June 30, 2017	\$29,754,362

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 - Accountability and Compliance

Accountability

At June 30, 2018, the following funds had deficit fund balances. These deficits 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.

	Amount
Special Revenue Funds:	
Food Service	\$63,635
IDEA Part B Grant	46,147
Miscellaneous Federal Grants	265,725

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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 and adjustments to record investments at market value 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).
6. Prepaid items are reported on the balance sheet (GAAP basis) but not on the budget basis.
7. Budgetary revenues and expenditures of the Public School Support Fund and the Severance Funds are reclassified to the General Fund for GAAP reporting.

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

Switzerland of Ohio Local School District, Ohio
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Net Change in Fund Balance

GAAP Basis	\$2,776,366
Net Adjustment for Revenue Accruals	354,694
Fiscal Year 2017 Unreported Cash	77,256
Fiscal Year 2018 Change in Market Value of Investments	76,054
Fiscal Year 2017 Change in Market Value of Investments	(15,598)
Fiscal Year 2018 Prepaid Items	167,594
Fiscal Year 2017 Prepaid Items	(129,044)
Net Adjustment for Expenditure Accruals	44,126
To reclassify revenues over expenditures into financial statement fund types	(212,385)
Advances In	753,659
Advances Out	(610,476)
Encumbrances	(442,898)
Budget Basis	<u><u>\$2,839,348</u></u>

Note 6 - Deposits and Investments

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

Active deposits are public deposits necessary 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 notes, bills, bonds, 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 obligations or securities 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days;
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days; and
9. Written repurchase agreements in the securities described in (1) and (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2018, the School District's Internal Service Fund had a balance of \$1,445,738 with Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool (see Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained by the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

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Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security of all public funds on deposit in excess of those funds that are insured by federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

As of June 30 the School District's bank balance of \$26,256,800 was not exposed to custodial credit risk.

Investments

As of June 30, 2018, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Moody's Rating	Percent of Total Investments
Fair Value - Level 1 Inputs				
Money Market Funds	\$9,783	N/A	N/A	0.23
Fair Value - Level 2 Inputs				
Commercial Paper	1,457,835	08/23/2018-12/27/2018	P-1	34.57
Negotiable Certificate of Deposit	181,190	08/19/2019	Aaa	4.30
Federal Farm Credit Bank Bond	407,028	01/28/2019	Aaa	9.65
Federal National Mortgage Association Notes	1,172,149	07/26/2019-08/24/2021	Aaa	27.80
Federal Home Loan Mortgage Corporation Note	299,013	10/26/2018	Aaa	7.09
Federal Home Loan Bank Bonds	<u>689,581</u>	05/24/2019-08/05/2019	Aaa	16.35
Total Fair Value - Level 2 Inputs	<u>4,206,796</u>			
Total Investments	<u><u>\$4,216,579</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2018. The Money Market Funds are measured at fair value and are valued using quoted market prices (Level 1 inputs). The School District's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Credit Risk The School District has no investment policy that would further limit its investment choices.

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Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of total investments is listed in the table above.

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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2016, were levied after April 1, 2017, 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, 2018 are available to finance fiscal year 2018 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, 2018 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.

The amount available as an advance, and recognized as revenue at June 30, 2018, was \$841,666 in the General Fund, \$13,153 in the Classroom Facilities Maintenance Special Revenue Fund, and \$90,247 in the Bond Retirement Debt Service Fund. At June 30, 2017, \$1,118,845 was available as an advance in the General Fund, \$17,705 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$145,304 was available in the Bond Retirement Debt Service Fund.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
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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 2018 taxes were collected are:

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$436,505,740	68.12%	\$503,079,180	68.12%
Public Utility Personal	212,413,300	31.88%	324,112,420	31.88%
Total	<u>\$648,919,040</u>	<u>100.00%</u>	<u>\$827,191,600</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$39.30		\$38.80	

The decrease in millage from the prior year is due a decrease in the tax rate of the Bond Retirement Debt Service Fund. The County Auditor reviews the balance in this fund and adjusts the millage so that the balance is not excessive as compared to the future debt service requirements.

Note 8 - Receivables

Receivables at June 30, 2018, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental, accrued interest, 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 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 \$434,118, may not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Title I Grants	\$386,295
Title II-A Grant	83,330
Special Education Part B IDEA	67,655
Secondary Grant	17,373
Title VI-B	44,550
Student Support Grant	8,158
Food Service Breakfast and Lunch Reimbursements	14,567
Medicaid Reimbursements	151,767
Foundation Adjustments	5,848
Bureau of Workers' Compensation Rebate	60,156
Educational Service Center True-Up	15,418
Miscellaneous Receivables	3,333
Total	<u>\$858,450</u>

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 9 - Capital Assets

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable Capital Assets				
Land	\$1,041,648	\$1,120,793	(\$6,252)	\$2,156,189
Construction in Progress	0	3,152,375	0	3,152,375
Total Non-Depreciable Capital Assets	<u>1,041,648</u>	<u>4,273,168</u>	<u>(6,252)</u>	<u>5,308,564</u>
Depreciable Capital Assets				
Buildings and Improvements	94,592,736	2,087,820	(1,386,305)	95,294,251
Vehicles	4,849,110	345,760	(30,600)	5,164,270
Furniture and Equipment	2,356,681	88,357	(322,340)	2,122,698
Total Capital Assets Being Depreciated	<u>101,798,527</u>	<u>2,521,937</u>	<u>(1,739,245)</u>	<u>102,581,219</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(17,947,537)	(3,032,444)	1,160,962	(19,819,019)
Vehicles	(2,486,743)	(307,697)	26,273	(2,768,167)
Furniture and Equipment	(1,563,505)	(269,175)	249,715	(1,582,965)
Total Accumulated Depreciation	<u>(21,997,785)</u>	<u>(3,609,316)*</u>	<u>1,436,950</u>	<u>(24,170,151)</u>
Total Capital Assets Being Depreciated, Net	<u>79,800,742</u>	<u>(1,087,379)</u>	<u>(302,295)</u>	<u>78,411,068</u>
Governmental Activities Capital Assets, Net	<u>\$80,842,390</u>	<u>\$3,185,789</u>	<u>(\$308,547)</u>	<u>\$83,719,632</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,100,531
Special	325,765
Vocational	168,378
Support Services:	
Pupils	130,459
Instructional Staff	186,641
Administration	394,979
Fiscal	38,404
Operation and Maintenance of Plant	300,100
Pupil Transportation	701,064
Central	24,416
Operation of Non-Instructional Services:	
Food Service Operations	231,592
Other Non-Instructional Services	1,222
Extracurricular Activities	5,765
Total Governmental Depreciation	<u>\$3,609,316</u>

Switzerland of Ohio Local School District, Ohio
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Note 10 - Interfund Balances and Transfers

Interfund Balances

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

	Amount
Miscellaneous Local Grants	\$550
Title I	388,861
Title VI-B	67,655
Miscellaneous Federal Grants	153,410
Total General Fund	\$610,476

The above interfund balances are due to loans used to provide cash flow resources until the receipt of grant monies. All amounts are expected to be repaid within one year.

Interfund Transfers

Interfund transfers during fiscal year 2018, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$0	\$2,345,991
Nonmajor Special Revenue Funds:		
Food Service	410,000	0
Miscellaneous Local Grants	2,520	0
Athletic and Music	33	0
Total Nonmajor Special Revenue Funds	412,553	0
Nonmajor Capital Project Funds:		
Permanent Improvement	2,250,269	0
Local Funded Initiatives	0	30,191
Classroom Facilities	0	287,078
Total Nonmajor Capital Project Funds	2,250,269	317,269
Total Nonmajor Funds	2,662,822	317,269
Self-Insurance Internal Service Fund	438	0
Total All Funds	2,663,260	2,663,260

The transfers from the Local Funded Initiatives and Classroom Facilities Capital Project Funds in the amounts of \$30,191 and \$287,078, respectively, are due to the close-out of the Classroom Facilities Project and the School District was instructed to transfer these remaining fund balances. The remaining transfers to nonmajor special revenue funds and to the Self-Insurance Internal Service Fund from the General Fund are were to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 - Risk Management

Workers' Compensation

The School District participates in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can either receive a refund or assessment. Employers will pay experience or based rate premiums under the same terms as if they were not in a retro group. The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the GRP, the GRP's executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. serves as the third part administrator of the GRP and provides administrative, cost control, and actuarial services. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program. The School District may withdraw from the GRP if notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the GRP prior to withdrawal.

Employee Medical Benefits

The School District is a member of the Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. All employees were offered coverage for medical/surgical and prescription drug coverage through the Jefferson Health Plan self-insured plan. The Board pays 90 percent of premiums for all medical/surgical and prescription drug coverage which is \$811.59 for single coverage and \$2,280.56 for family coverage.

The claims liability of \$891,111 reported in the internal service fund at June 30, 2018, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2017	\$292,008	\$6,124,127	\$5,538,788	\$877,347
2018	877,347	5,768,704 (1)	5,754,940	891,111
		\$5,847,718		
		(79,014)		
		\$5,768,704		

(1) Claims Expense
Net Decrease in Stop Loss Receivable
Current Year Claims

Switzerland of Ohio Local School District, Ohio
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For the Fiscal Year Ended June 30, 2018

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 2018, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool, for insurance coverage. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 17) The types and amounts of coverage are as follows:

<u>Ohio School Plan</u>	
General Liability - no deductible	
Bodily Injury and Property Damage - each occurrence	\$2,000,000
Personal and Advertising Injury - each occurrence	\$2,000,000
General Aggregate Limit	\$4,000,000
Products - Completed Operations Aggregate Limit	\$4,000,000
Fire Damage Limit	\$500,000
Medical Expense - any one person/any one accident	\$10,000/\$10,000
Employers' Liability (Ohio Stop Gap) - no deductible	
Bodily Injury by Accident	\$2,000,000
Bodily Injury by Disease/each employee	\$2,000,000/\$2,000,000
Fiduciary Liability - \$2,500 deductible	
Each Fiduciary Claim Limit	\$2,000,000
Aggregate Limit	\$4,000,000
Legal Liability - \$5,000 deductible	
Errors and Omissions	\$2,000,000
Aggregate Limit	\$4,000,000
Employment Practices Injury Limit	\$2,000,000
Aggregate Limit	\$4,000,000
Declaratory, Equitable, and Injunctive Relief Defense	\$100,000
Automobile Coverage - \$250-\$1,000 deductible	
Liability	\$2,000,000
Uninsured/Underinsured Motorists	\$1,000,000
Medical Payments	\$5,000
Comprehensive	Actual Cash Value
Collision	Actual Cash Value
Garagekeepers	\$50,000
Property Damage - \$1,000-\$2,500 deductible	
Property Coverage	\$115,580,743
Accounts Receivable	\$100,000
Business Interruption and Rental Income	\$250,000
Extra Expense Limit	\$1,000,000
Boiler and Machinery Breakdown	\$100,000,000
Crime Coverage - \$1,000 deductible	
Employee Theft, Forgery, Computer Fraud, Funds Transfer	\$100,000 each
Theft	\$10,000

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.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 12 - Other Employee Benefits

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 270 days for certified employees. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation.

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 Delta Dental to provide dental coverage. Rates are set through an annual calculation process. The monthly premium for dental coverage was funded entirely by the School District which is \$21.83 for single coverage and \$66.27 for family coverage.

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 which is \$8.38 for single coverage and \$18.97 for family coverage. For fiscal year 2018, the School District paid ninety percent of the premium and the employees paid ten percent.

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 (see compensated absences).

Note 13 - Defined Benefit Pension Plans

Net Pension Liability

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Net Pension Liability/Net OPEB Liability

The net pension liability and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions/OPEB are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to retire on or before August 1, 2017 *	Eligible to retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or any age with 30 years of service credit	Age 67 with 10 years of service credit; or age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$562,544 for fiscal year 2018. Of this amount \$138,050 is reported as an intergovernmental payable.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,647,865 for fiscal year 2018. Of this amount \$415,413 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.10137080%	0.08216114%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.10841180%</u>	<u>0.08688143%</u>	
Change in Proportionate Share	<u><u>0.00704100%</u></u>	<u><u>0.00472029%</u></u>	
Proportionate Share of the Net Pension Liability	\$6,477,365	\$20,638,870	\$27,116,235
Pension Expense	(\$100,118)	(\$8,688,962)	(\$8,789,080)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$278,763	\$796,976	\$1,075,739
Changes of assumptions	334,950	4,513,948	4,848,898
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	406,117	1,317,562	1,723,679
School District contributions subsequent to the measurement date	<u>562,544</u>	<u>1,647,865</u>	<u>2,210,409</u>
Total Deferred Outflows of Resources	<u><u>\$1,582,374</u></u>	<u><u>\$8,276,351</u></u>	<u><u>\$9,858,725</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$166,341	\$166,341
Net difference between projected and actual earnings on pension plan investments	30,747	681,107	711,854
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>17,429</u>	<u>1,253,119</u>	<u>1,270,548</u>
Total Deferred Inflows of Resources	<u><u>\$48,176</u></u>	<u><u>\$2,100,567</u></u>	<u><u>\$2,148,743</u></u>

\$2,210,409 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2019	\$400,967	\$209,003	\$609,970
2020	535,467	2,013,642	2,549,109
2021	186,220	1,664,312	1,850,532
2022	<u>(151,000)</u>	<u>640,962</u>	<u>489,962</u>
Totals	<u><u>\$971,654</u></u>	<u><u>\$4,527,919</u></u>	<u><u>\$5,499,573</u></u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$8,988,900	\$6,477,365	\$4,373,443

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

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	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 - Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Switzerland of Ohio Local School District, Ohio
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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$29,585,118	\$20,638,870	\$13,102,997

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. As of June 30, 2018, there is one employee who has elected Social Security. The Board of Education's liability is 6.2 percent of wages paid.

Note 14 - Defined Benefit OPEB Plans

See Note 13 for a description of the net OPEB liability.

School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage Plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$68,295.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$89,130 for fiscal year 2018. Of this amount \$73,408 is reported as an intergovernmental payable.

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State Teachers Retirement System

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.10261790%	0.08216114%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.11000490%</u>	<u>0.08688143%</u>	
Change in Proportionate Share	<u>0.00738700%</u>	<u>0.00472029%</u>	
Proportionate Share of the Net OPEB Liability	\$2,952,243	\$3,389,792	\$6,342,035
OPEB Expense	\$229,077	(\$998,319)	(\$769,242)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$0	\$195,680	\$195,680
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	146,043	216,379	362,422
School District contributions subsequent to the measurement date	<u>89,130</u>	<u>0</u>	<u>89,130</u>
Total Deferred Outflows of Resources	<u><u>\$235,173</u></u>	<u><u>\$412,059</u></u>	<u><u>\$647,232</u></u>
Deferred Inflows of Resources			
Changes of assumptions	\$280,153	\$273,059	\$553,212
Net difference between projected and actual earnings on OPEB plan investments	<u>7,796</u>	<u>144,888</u>	<u>152,684</u>
Total Deferred Inflows of Resources	<u><u>\$287,949</u></u>	<u><u>\$417,947</u></u>	<u><u>\$705,896</u></u>

\$89,130 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2019	(\$50,540)	(\$13,055)	(\$63,595)
2020	(50,540)	(13,055)	(63,595)
2021	(38,878)	(13,055)	(51,933)
2022	(1,948)	(13,056)	(15,004)
2023	0	23,167	23,167
Thereafter	<u>0</u>	<u>23,166</u>	<u>23,166</u>
Totals	<u><u>(\$141,906)</u></u>	<u><u>(\$5,888)</u></u>	<u><u>(\$147,794)</u></u>

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

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Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 2.5 percentage points lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$3,565,209	\$2,952,243	\$2,466,617
	1% Decrease (6.5 % decreasing to 4.0 %)	Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District proportionate share of the net OPEB liability	\$2,395,524	\$2,952,243	\$3,689,070

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate

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Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal, and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

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Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$4,550,742	\$3,389,792	\$2,472,263
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$2,355,083	\$3,389,792	\$4,751,592

Note 15 - Capital Leases - Lessee Disclosure

In prior years, the School District has entered into a capitalized lease agreement for a postage machine totaling \$9,115. During fiscal year 2018, the School District entered into capitalized lease purchase obligations for a copier and facilities upgrades totaling \$3,954,000. 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 \$3,963,115 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 \$3,952,667 at June 30, 2018. Principal payments toward all capital leases during fiscal year 2018 totaled \$5,050.

Future minimum lease payments through 2028 for governmental activities are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$389,019	\$133,483	\$522,502
2020	348,562	110,387	458,949
2021	359,682	98,810	458,492
2022	370,811	86,868	457,679
2023	382,474	74,561	457,035
2024-2028	2,103,000	175,256	2,278,256
Totals	\$3,953,548	\$679,365	\$4,632,913

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Note 16 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2018 were as follows:

				Amounts	
	Outstanding			Outstanding	Due Within
	06/30/17	Additions	Reductions	06/30/18	One Year
Governmental Activities					
2009 School Improvement Bonds:					
Qualified School Construction Serial					
Bonds - 1.65% - \$10,000,000	\$6,125,000	\$0	(\$770,000)	\$5,355,000	\$765,000
Tax-Exempt Term Bonds - 4.00% - \$405,000	405,000	0	0	405,000	0
Tax Exempt Capital Appreciation Bonds - 4.25%-4.65% - \$64,999	64,999	0	(13,342)	51,657	15,261
Capital Appreciation Bonds Accretion - \$300,001 - 18.3726%	180,344	42,091	(41,658)	180,777	59,739
Bond Premium	71,771	0	(13,049)	58,722	0
Total 2009 School Improvement Bonds	6,847,114	42,091	(838,049)	6,051,156	840,000
2013 School Improvement Bonds:					
Current Interest Refunding Serial Bonds - 3.00% - 5.00% - \$13,135,000					
	13,135,000	0	0	13,135,000	0
Current Interest Refunding Term Bonds - 4.00% - \$11,325,000					
	11,325,000	0	0	11,325,000	0
Capital Appreciation Refunding Bonds - .801% - 3.10% - \$40,000					
	20,131	0	(3,832)	16,299	3,656
Capital Appreciation Bonds Accretion - \$575,000 - .80%-3.10%	138,549	59,397	(56,168)	141,778	56,345
Bond Premium	486,103	0	(23,148)	462,955	0
Total 2013 School Improvement Bonds	25,104,783	59,397	(83,148)	25,081,032	60,001
Capital Leases	4,598	3,954,000	(5,050)	3,953,548	389,019
Net Pension Liability:					
STRS	27,501,811	0	(6,862,941)	20,638,870	0
SERS	7,419,407	0	(942,042)	6,477,365	0
Total Net Pension Liability	34,921,218	0	(7,804,983)	27,116,235	0
Net OPEB Liability:					
STRS	4,393,999	0	(1,004,207)	3,389,792	0
SERS	2,924,990	27,253	0	2,952,243	0
Total Net OPEB Liability	7,318,989	27,253	(1,004,207)	6,342,035	0
Compensated Absences	1,001,126	269,423	(236,692)	1,033,857	84,966
Total Long-Term Obligations	\$75,197,828	\$4,352,164	(\$9,972,129)	\$69,577,863	\$1,373,986

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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
2019	\$765,000	\$165,000	\$930,000
2020	765,000	165,000	930,000
2021	765,000	165,000	930,000
2022	765,000	165,000	930,000
2023	765,000	165,000	930,000
2024-2025	1,530,000	247,500	1,777,500
Totals	\$5,355,000	\$1,072,500	\$6,427,500

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 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. During fiscal year 2013, the Build America Bonds (BABs) portion, in the amount of \$24,500,000, was current refunded. The non-refunded portion of the total issuance has remaining premium in the amount of \$97,869 that will be amortized over the remaining life of the bonds. The amount amortized for 2018 was \$13,049.

The capital appreciation bonds for the 2009 issue mature December 1, 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. For fiscal year 2018, \$42,091 was accreted, and after the current year retirement of \$55,000, the remaining capital appreciation bond liability is \$232,434.

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

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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 term bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$0	\$8,100	\$8,100
2022	200,000	12,200	212,200
2023	205,000	4,100	209,100
	\$405,000	\$24,400	\$429,400

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

Fiscal Year Ending June 30,	Principal	Accretion	Total
2019	\$15,261	\$59,739	\$75,000
2020	17,068	82,932	100,000
2021	19,328	115,672	135,000
Totals	\$51,657	\$258,343	\$310,000

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. The amount amortized for fiscal year 2018 was \$23,148. Issuance costs associated with the refunding bond issue, in the amount of \$364,129, were expensed in the year of issuance.

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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 was expensed in the year of issuance. The School District completed its refunding to reduce its total debt service requirements over the subsequent 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
2019	\$0	\$959,844	\$959,844
2020	0	959,844	959,844
2021	0	959,844	959,844
2022	0	959,844	959,844
2023	0	959,844	959,844
2024-2028	4,645,000	4,520,982	9,165,982
2029-2033	8,490,000	3,196,334	11,686,334
2034-2038	11,325,000	1,184,700	12,509,700
Totals	<u>\$24,460,000</u>	<u>\$13,701,236</u>	<u>\$38,161,236</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:

Year (December 1)	Principal Amount to be Redeemed
2033	\$2,010,000

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:

Year (December 1)	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.

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The capital appreciation bonds for the 2013 issue mature/matured 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 2018, \$59,397 was accreted, and after the current year retirement of \$60,000, the remaining capital appreciation bond liability is \$158,077.

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

Fiscal Year Ending June 30,	Principal	Accretion	Total
2019	\$3,656	\$56,345	\$60,001
2020	3,476	56,524	60,000
2021	3,266	56,734	60,000
2022	3,048	56,952	60,000
2023	2,853	57,146	59,999
Totals	\$16,299	\$283,701	\$300,000

The overall debt margin of the School District as of June 30, 2018, was \$46,960,628, with an unvoted debt margin of \$826,890.

Capital Leases

The capital leases will be repaid from the General Fund.

Net Pension Liability

There is no repayment schedule for the net pension/OPEB liability, however, employer pension/OPEB contributions are made from the following funds: The General Fund and the Food Service, Athletic and Music, Auxiliary Services, IDEA Part B, Title I, and Miscellaneous Federal Grants Special Revenue Funds.

Compensated Absences

Compensated absences will be paid from the General Fund and the Food Service Special Revenue Fund.

Note 17 - Jointly Governed Organizations and Insurance Purchasing Pools

Jointly Governed Organizations

The **Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA)** was created as a separate regional council of governments pursuant to State statutes. OME-RESA 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 OME-RESA including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2018, the amount paid to OME-RESA from the School District was \$126,049 for technology, internet access, financial accounting services, cooperative purchasing, 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 Education Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

The **Coalition of Rural and Appalachian Schools (CORAS)** is a jointly governed organization composed of over 130 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 Council 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 Council is not dependent on the continued participation of the Center and the Center does not maintain an equity interest in or financial responsibility for the Council.

The Council 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 2018. 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 School District participates in the **Metropolitan Educational Technology Association (META)**, a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META is also known as META Solutions. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2018, the School District's membership payment for the purchasing cooperative was waived by META. Financial information may be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

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Insurance Purchasing Pools

The School District participates in the **Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (GRP)**, an insurance purchasing pool. The GRP is a shared risk pool among school districts in Ohio. Section 4123.29, Ohio Revised Code, permits the establishment of employer group retrospective rating plans for workers' compensation rating purposes. The GRP is governed by the Ohio Association of School Business Officials (OASBO) Board of Directors. The Board of Directors shall be the Immediate Past President, the President, the President-Elect, the Vice President, the Secretary-Treasurer, five Regional Directors, and three At-Large Directors.

The GRP, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The GRP created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers' compensation coverage than they would individually. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The GRP's third part administrator (TPA), CompManagement, Inc., provides administrative, cost control, and actuarial services to the GRP. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group. During fiscal year 2018, the School District paid \$3,335 in enrollment fees to the GRP.

The School District participates in the **Ohio School Plan (OSP)**, an insurance purchasing pool. The OSP is created and organized pursuant to, and as authorized by, Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a twelve member Board of Directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales, and marketing.

The School District participates in the **Jefferson Health Plan**, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over three hundred participants, including six pool organizations within the consortium. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental, prescription drug, and vision coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$200,000 under which the individual member is responsible for all claims below the selected deductible. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$1,500,000, and all claims between the deductible and the \$1,500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a funding accrual that is actuarially calculated based on the participants' actual claims experience which is utilized for the payment of claims and plan expenses within the participant's reserve account up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for the selected deductible that is included in the funding accrual that is based on the claims of the selected internal pool deductible in aggregate and is not based on individual participant claims experience.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

In the event of a deficit in a participant's reserve account, the participant would be charged an additional funding accrual, and in the event of a surplus, the participant can apply for a funding accrual moratoria. For all individual claims exceeding \$1,500,000, umbrella stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services, among other fixed costs that are included in the monthly funding accrual.

Note 18 - Contingencies

Grants

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2018, if applicable, cannot be determined at this time.

Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by the schools throughout the State, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 foundation funding for the District.

Litigation

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.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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.

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.

	Capital Improvements
Set-aside reserve balance as of June 30, 2017	\$0
Current year set-aside requirement	373,531
Current year qualifying expenditures	(1,013,850)
Current year offsets	(2,944,102)
Total	(\$3,584,421)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside reserve balance as of June 30, 2018	\$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 \$15,102,953.

Note 20 - Significant Commitments

Contractual Commitments

As of June 30, 2018, the School District had the following contractual purchase commitments:

Contractor	Purchase Commitment	Amounts Paid as of June 30, 2018	Amounts Remaining on Contract
Colaianni Construction, Inc.	\$1,243,937	\$1,183,539	\$60,398
Trane U.S.Inc.	3,940,469	3,152,375	788,094

**Required
Supplementary
Information**

Switzerland of Ohio Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.10841180%	0.10137080%	0.09828170%	0.09934200%	0.09934200%
School District's Proportionate Share of the Net Pension Liability	\$6,477,365	\$7,419,407	\$5,608,049	\$5,027,643	\$5,907,550
School District's Covered Payroll	\$3,620,714	\$3,170,786	\$2,951,914	\$2,885,029	\$2,817,863
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	178.90%	233.99%	189.98%	174.27%	209.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.50%	62.98%	69.16%	71.70%	65.52%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.
An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Switzerland of Ohio Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.11000490%	0.10261790%
School District's Proportionate Share of the Net OPEB Liability	\$2,952,243	\$2,924,990
School District's Covered Payroll	\$3,620,714	\$3,170,786
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	81.54%	92.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.46%	11.49%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Switzerland of Ohio Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
*Last Five Fiscal Years (1) **

	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08688143%	0.08216114%	0.08094150%	0.08418490%	0.09933820%
School District's Proportionate Share of the Net Pension Liability	\$20,638,870	\$27,501,811	\$22,369,864	\$20,476,682	\$28,782,198
School District's Covered Payroll	\$9,748,571	\$8,670,814	\$8,490,007	\$8,292,069	\$9,812,423
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	211.71%	317.18%	263.48%	246.94%	293.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Switzerland of Ohio Local School District, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
State Teachers Retirement System of Ohio
*Last Two Fiscal Years (1) **

	2018	2017
School District's Proportion of the Net OPEB Liability	0.08688143%	0.08216114%
School District's Proportionate Share of the Net OPEB Liability	\$3,389,792	\$4,393,999
School District's Covered Payroll	\$9,748,571	\$8,670,814
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	34.77%	50.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.10%	66.80%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

* Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

Switzerland of Ohio Local School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net Pension Liability										
Contractually Required Contribution	\$562,544	\$506,900	\$443,910	\$389,062	\$423,063	\$389,992	\$397,970	\$411,582	\$422,591	\$299,788
Contributions in Relation to the Contractually Required Contribution	<u>(562,544)</u>	<u>(506,900)</u>	<u>(443,910)</u>	<u>(389,062)</u>	<u>(423,063)</u>	<u>(389,992)</u>	<u>(397,970)</u>	<u>(411,582)</u>	<u>(422,591)</u>	<u>(299,788)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$4,166,993	\$3,620,714	\$3,170,786	\$2,951,914	\$3,052,405	\$2,817,863	\$2,958,882	\$3,274,320	\$3,121,057	\$3,046,623
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>	<u>9.84%</u>
Net OPEB Liability										
Contractually Required Contribution (2)	\$89,130	\$59,918	\$51,452	\$75,596	\$54,358	\$55,755	\$65,076	\$87,285	\$80,110	\$170,040
Contributions in Relation to the Contractually Required Contribution	<u>(89,130)</u>	<u>(59,918)</u>	<u>(51,452)</u>	<u>(75,596)</u>	<u>(54,358)</u>	<u>(55,755)</u>	<u>(65,076)</u>	<u>(87,285)</u>	<u>(80,110)</u>	<u>(170,040)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.14%</u>	<u>1.65%</u>	<u>1.62%</u>	<u>2.56%</u>	<u>1.78%</u>	<u>1.98%</u>	<u>2.20%</u>	<u>2.67%</u>	<u>2.57%</u>	<u>5.58%</u>
Total Contributions as a Percentage of Covered Payroll	<u>15.64%</u>	<u>15.65%</u>	<u>15.62%</u>	<u>15.74%</u>	<u>15.64%</u>	<u>15.82%</u>	<u>15.65%</u>	<u>15.24%</u>	<u>16.11%</u>	<u>15.42%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

Switzerland of Ohio Local School District, Ohio
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net Pension Liability										
Contractually Required Contribution	\$1,647,865	\$1,364,800	\$1,213,914	\$1,188,601	\$1,077,969	\$1,275,615	\$1,341,299	\$1,341,300	\$1,410,565	\$1,355,578
Contributions in Relation to the Contractually Required Contribution	(1,647,865)	(1,364,800)	(1,213,914)	(1,188,601)	(1,077,969)	(1,275,615)	(1,341,299)	(1,341,300)	(1,410,565)	(1,355,578)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
School District Covered Payroll (1)	\$11,770,464	\$9,748,571	\$8,670,814	\$8,490,007	\$8,292,069	\$9,812,423	\$10,317,685	\$10,317,692	\$10,850,500	\$10,427,523
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
Net OPEB Liability										
Contractually Required Contribution	\$0	\$0	\$0	\$0	\$82,921	\$98,124	\$103,177	\$103,177	\$108,505	\$104,275
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	(82,921)	(98,124)	(103,177)	(103,177)	(108,505)	(104,275)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Total Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

Switzerland of Ohio Local School District, Ohio

Notes to Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

Net Pension Liability

Changes in Assumptions - SERS

For fiscal year 2018, an assumption of 2.5 percent was used for COLA or ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Amounts reported for fiscal year 2018 incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Switzerland of Ohio Local School District, Ohio

Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018

For fiscal year 2018 post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70% of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 - Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Net OPEB Liability

Changes in Assumptions - SERS

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:	
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions - STRS

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (PREPARED BY MANAGEMENT)
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Grant Year	Cash Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	N/A	\$ 321,516	\$ -
National School Lunch Program	10.555	N/A	<u>531,588</u>	<u>65,818</u>
<i>Total Child Nutrition Cluster</i>			<u>853,104</u>	<u>65,818</u>
Total U.S. Department of Agriculture			<u>853,104</u>	<u>65,818</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
<i>Title I</i>				
Title I Grants to Local Education Agencies	84.010	2017	58,515	-
Title I Grants to Local Education Agencies	84.010	2018	637,952	-
School Improvement Sub A. Title I	84.010	2017	3,991	-
School Improvement Sub A. Title I	84.010	2018	<u>261,873</u>	<u>-</u>
<i>Total Title I</i>			962,331	
<i>Special Education Cluster</i>				
Special Education Grants to States - IDEA Part B	84.027	2017	60,749	-
Special Education Grants to States - IDEA Part B	84.027	2018	<u>538,379</u>	<u>-</u>
<i>Total Special Education Cluster</i>			599,128	-
<i>Career and Technical Education</i>				
Career and Technical Education Basic Grants to States	84.048	2018	<u>31,291</u>	<u>-</u>
<i>Total Career and Technical Education</i>			31,291	-
<i>Rural Education</i>				
Rural Education	84.358	2017	433	-
Rural Education	84.358	2018	<u>34,439</u>	<u>-</u>
<i>Total Rural Education</i>			34,872	-
<i>Improving Teacher Quality State Grants</i>				
Improving Teacher Quality State Grants	84.367	2017	11,529	-
Improving Teacher Quality State Grants	84.367	2018	<u>124,180</u>	<u>-</u>
<i>Total Improving Teacher Quality State Grants</i>			<u>135,709</u>	<u>-</u>
Total U.S. Department of Education			<u>1,763,331</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,616,435</u>	<u>\$ 65,818</u>

The accompanying notes are an integral part of this schedule.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(PREPARED BY MANAGEMENT)
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Switzerland of Ohio Local School District (the District's) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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 standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2019, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider to be a significant deficiency. We consider finding 2018-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2018-002.


We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 27, 2019.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 27, 2019

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Switzerland of Ohio Local School District, Monroe County, Ohio's, (District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Switzerland of Ohio Local School District, Monroe County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2018.

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2018-003. Our opinion on the major federal program is not modified with respect to this matter.

The District's response to our noncompliance finding is described in the accompanying corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Switzerland of Ohio Local School District

Monroe County

Independent Auditor's Report on Compliance for the Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Page 3

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles E. Harris

Charles E. Harris & Associates, Inc.

November 27, 2019

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**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster – CFDA #10.555, #10.553
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS - CONTINUED
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Finding Number 2018-001 – Significant Deficiency

Athletic Gate Collections Internal Controls

The District should have a uniform set of procedures in place for the collection, reconciling and remission of athletic events gate receipts to be used by all schools in the District.

Each school in the District uses their own set of impromptu procedures for collection, reconciling and remission of athletic event gate receipts. We noted the following:

- No standardized gate receipt forms;
- No procedures on who is supposed to sign the forms and when the forms should be signed;
- No reconciliation procedures;
- No procedures for how the money passes from the gate collectors to the Athletic Director;
- No procedures for how the gate collectors document and report an over or short.

At Monroe Central High School there was no gate receipts for ten tested varsity volleyball and three tested varsity football games which were not deposited in the bank or posted to the District's ledgers. There were no Ticket Sale Record sheets found to document the amount of money collected for the aforementioned events. There was a duplicate deposit ticket for the Volleyball events found in the Athletic Director's duplicate receipt book which indicated there was \$4,044 in gate receipts collected for the volleyball games. These monies were not deposited into the District's bank account. We also noted receipts of \$1,420 in a previous year that were not deposited.

We have referred these issues to the Ohio Auditor of State for further investigation.

There could be an additional loss or misappropriation of gate receipts without strong internal control procedures in place. We recommend management implement control procedures noted above to be followed by all schools in the District.

Management's Response: See Corrective Action Plan on page 96 for response.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS - CONTINUED
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED

Finding Number 2018-002 – Material Noncompliance

Timely Deposits of Cash Receipts

Ohio Revised Code Section 9.38 and District Policy 6600 states that public money must be deposited with the Treasurer of the District or to a designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

We noted several receipts involving Athletic Events that were not deposited timely. Deposits were being held from gate receipts from multiple events over a period of time and deposited them all at once.

There could be lost or misappropriated assets as a result of not depositing cash receipts timely. Holding large amounts of cash at the school could also put undue risk on all employees working at that building.

We recommend the District take steps to ensure deposits are made timely as required by Ohio Revised Code and District policy.

Management's Response: See Corrective Action Plan on page 96 for response.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS - CONTINUED
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - CONTINUED

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2018-003
CFDA Title and Number	10.555 and 10.553 – Child Nutrition Cluster
Federal Ward Identification Number/Year	2018
Federal Agency	U.S. Department of Agriculture
Compliance Requirement	Reporting
Pass-Through Entity	Ohio Department of Education
Repeat Finding from Prior Audit?	No

Noncompliance

Criteria: 2 CFR Section 200.512 states that the federal data collection form and reporting package must be filed with the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of auditor’s report, or nine months after the end of the audit period. The District’s fiscal year end is June 30, 2018 and the federal data collection form should be filed by March 30, 2019.

Context: The District’s federal data collection form was filed on November 29, 2019, which is 8 months after the due date.

Cause: During the fiscal year 2018 audit there was an investigation performed by the Special Investigations Unit of the Ohio Auditor of States Office which wasn’t concluded until October 2019. The audit report could not be completed until the investigation was complete.

Effect: Not filing the data collection form by the required date will result in the District not being considered a low risk auditee and could potentially hold up grant funding from funders.

Recommendation: We recommend that the District file the data collection form with the Federal Audit Clearinghouse by the required date.

Management’s Response: See Corrective Action Plan on page 96 for response.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS –
PREPARED BY MANGEMENT
2 CFR 200.511(b)
JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	There were no internal controls over courier procedures.	Corrective Action is Taken and Finding is Fully Corrected	N/A
2017-002	Inadequate controls over athletic gate collections.	Not Corrected	The recurrence happened as a result of not getting the results of the FY17 audit until a time when most cash collections for athletics had already ended. See corrective active plan.
2017-003	Expenditures and Encumbrances in excess of Appropriations in violation of Ohio Revised Code 5705.41.	Partially Corrected	The Treasurer started reviewing budgetary information on a timely manner instead of waiting until the end of the year to get the District into compliance.
2017-004	Appropriations in excess of estimated resources in violation of Ohio Revised Code 5705.39.	Corrective Action is Taken and Finding is Fully Corrected	N/A
2017-005	Destruction of public records in violation of Ohio Revised Code 149.43 and District Policy 8310.	Partially Corrected	All District staff were instructed to maintain all funding raiser supporting documentation in accordance with ORC and District Policy.
2017-006	Untimely posting of cash receipts in violation of Ohio Revised Code 9.38 and District Policy 6600.	Not Corrected	The recurrence happened as a result of not getting the results of the FY17 audit until a time when most cash collections for athletics had already ended. See corrective active plan.

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**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY
CORRECTIVE ACTION PLAN (PREPARED BY MANAGEMENT)
2 CFR § 200.511('c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The District will address the idea of implementing improved internal control procedures regarding this finding.	Immediately	Connie Kress, Treasurer
2018-002	The District will take steps to ensure deposits are made timely as required by Ohio Revised Code and District Policy.	Immediately	Connie Kress, Treasurer
2018-003	The District will take steps to insure the federal data collection form is filed by the required date.	Immediately	Connie Kress, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



**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
JANUARY 9, 2020**