

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Switzerland of Ohio Local School District, Monroe County, Ohio, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Switzerland of Ohio Local School District, Monroe County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

The accompanying general-purpose financial statements have been prepared assuming that the School District will continue as a going concern. As discussed in Note 4(A), the School District accumulated a \$4,429,937 General Fund deficit and a \$458,329 Lunchroom Fund, Enterprise Fund Type deficit at June 30, 1999. As discussed in Note 23 to the general purpose financial statements, the School District accumulated operating debt of \$4,239,000 at June 30, 1999. The Auditor of State has also declared the School District to be in fiscal emergency, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 3 to the financial statements, during 1999 the School District changed its method of accounting for its deferred compensation plan.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Switzerland of Ohio Local School District
Monroe County
Report of Independent Accountants
Page 2

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the School District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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Jim Petro
Auditor of State

February 8, 2000

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Switzerland of Ohio Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,352,444	\$556,338	\$693,560
Cash and Cash Equivalents with Fiscal Agents	29,372		
Receivables:			
Taxes	7,929,335		646,895
Accounts	26,081	641	
Interfund Receivable	144,152		
Intergovernmental	20,679	31,325	
Due from Other Funds	18,411		
Inventory Held for Resale			
Materials and Supplies Inventory			
Restricted Asset:			
Cash and Cash Equivalents	108,196		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
<u>Other Debits:</u>			
Amount to be Provided from General Government Resources			
 Total Assets and Other Debits	 \$9,628,670	 \$588,304	 \$1,340,455

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$185,090	\$100,287	\$0	\$0	\$2,887,719
				29,372
				8,576,230
3,761				30,483
				144,152
63,901				115,905
				18,411
5,275				5,275
1,478				1,478
				108,196
63,951		21,670,670		21,734,621
			3,018,445	3,018,445
<u>\$323,456</u>	<u>\$100,287</u>	<u>\$21,670,670</u>	<u>\$3,018,445</u>	<u>\$36,670,287</u>

(continued)

Switzerland of Ohio Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 1999

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Liabilities, Fund Equity and Other Credits:			
<u>Liabilities:</u>			
Accounts Payable	\$58,734	\$23,278	\$7,720
Accrued Wages and Benefits Payable	1,323,221	219,773	
Compensated Absences Payable	31,097	938	
Special Termination Benefit Payable	32,660	13,823	
Intergovernmental Payable	297,618	54,316	
Interfund Payable		46,247	
Due to Other Funds		18,404	
Deferred Revenue	7,536,277		606,746
Due to Students			
Undistributed Monies			
Tax Anticipation Note Payable	290,000		
Tax Anticipation Note (2.5 mill) Payable			285,000
Capital Leases Payable			
Energy Conservation Loan Payable	540,000		
State Emergency School Loan Payable	3,949,000		
Tax Refund Payable			
Total Liabilities	<u>14,058,607</u>	<u>376,779</u>	<u>899,466</u>
<u>Fund Equity and Other Credits:</u>			
Investment in			
General Fixed Assets			
Contributed Capital			
Retained Earnings:			
Unreserved (Deficit)			
Fund Balance:			
Reserved for Encumbrances	242,554	67,326	453,405
Reserved for Unclaimed Monies	1,018		
Reserved for Property Tax	395,689		40,149
Reserved for Budget Stabilization	108,196		
Unreserved, Undesignated	<u>(5,177,394)</u>	<u>144,199</u>	<u>(52,565)</u>
Total Fund Equity and Other Credits	<u>(4,429,937)</u>	<u>211,525</u>	<u>440,989</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$9,628,670</u>	<u>\$588,304</u>	<u>\$1,340,455</u>

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$4,139	\$1,000	\$0	\$0	\$94,871
53,075				1,596,069
44,232			1,733,815	1,810,082
			81,993	128,476
21,817			123,380	497,131
97,905				144,152
7				18,411
1,784				8,144,807
	58,874			58,874
	400			400
				290,000
				285,000
			21,843	21,843
				540,000
				3,949,000
			1,057,414	1,057,414
<u>222,959</u>	<u>60,274</u>	<u>0</u>	<u>3,018,445</u>	<u>18,636,530</u>
		21,670,670		21,670,670
526,374				526,374
(425,877)				(425,877)
				763,285
				1,018
				435,838
				108,196
	40,013			(5,045,747)
<u>100,497</u>	<u>40,013</u>	<u>21,670,670</u>	<u>0</u>	<u>18,033,757</u>
<u>\$323,456</u>	<u>\$100,287</u>	<u>\$21,670,670</u>	<u>\$3,018,445</u>	<u>\$36,670,287</u>

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Funds
 For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types	
	General	Special Revenue
<u>Revenues:</u>		
Taxes	\$6,963,902	\$0
Intergovernmental	7,515,724	2,135,585
Interest	198,933	
Tuition and Fees	85,535	21,919
Rent	666	
Extracurricular Activities		295,609
Miscellaneous	159,599	16,527
	<u>14,924,359</u>	<u>2,469,640</u>
<u>Expenditures:</u>		
Current:		
Instruction:		
Regular	5,987,615	635,216
Special	1,259,423	927,026
Vocational	1,502,160	70,376
Adult/Continuing		39,248
Other	521,684	
Support Services:		
Pupils	345,029	207,366
Instructional Staff	376,298	205,180
Board of Education	17,955	
Administration	1,287,231	51,751
Fiscal	534,692	2,000
Operation and Maintenance of Plant	1,329,447	6,661
Pupil Transportation	1,662,822	5,267
Central		45,061
Non-Instructional Services		87,608
Extracurricular Activities	31,702	369,031
Capital Outlay	76,330	7,000
Refund of Property Taxes	457,158	
Debt Service:		
Principal Retirement	36,931	
Interest and Fiscal Charges	247,762	
	<u>15,674,239</u>	<u>2,658,791</u>
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	<u>(749,880)</u>	<u>(189,151)</u>
<u>Other Financing Sources (Uses):</u>		
Proceeds from Sale of Fixed Assets	4,496	
Operating Transfers In	69,299	34,650
Operating Transfers Out	(48,532)	(4,681)
Other Financing Sources	438	
Other Financing Uses		
	<u>25,701</u>	<u>29,969</u>
Total Other Financing Sources (Uses)		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(724,179)</u>	<u>(159,182)</u>
Fund Balances (Deficit) at Beginning of Year	<u>(3,705,758)</u>	<u>370,707</u>
Fund Balances (Deficit) at End of Year	<u>(\$4,429,937)</u>	<u>\$211,525</u>

See accompanying notes to the general purpose financial statements

Capital Projects	Fiduciary Fund Types		Totals (Memorandum Only)
	Expendable Trust		
\$679,770	\$0		\$7,643,672
152,273			9,803,582
	991		199,924
			107,454
			666
			295,609
10			176,136
<u>832,053</u>	<u>991</u>		<u>18,227,043</u>
96,432	100		6,719,363
			2,186,449
9,907			1,582,443
			39,248
			521,684
			552,395
			581,478
			17,955
			1,338,982
20,117			556,809
14,808			1,350,916
			1,668,089
			45,061
			87,608
			400,733
12,216			95,546
			457,158
			36,931
<u>18,535</u>			<u>266,297</u>
<u>172,015</u>	<u>100</u>		<u>18,505,145</u>
<u>660,038</u>	<u>891</u>		<u>(278,102)</u>
			4,496
			103,949
(50,736)			(103,949)
			438
	(1,000)		(1,000)
<u>(50,736)</u>	<u>(1,000)</u>		<u>3,934</u>
609,302	(109)		(274,168)
(168,313)	40,122		(3,463,242)
<u>\$440,989</u>	<u>\$40,013</u>		<u>(\$3,737,410)</u>

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Funds
 For the Fiscal Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$6,098,944	\$6,555,372	\$456,428
Intergovernmental	6,393,632	6,884,981	491,349
Interest	155,000	175,820	20,820
Tuition and Fees	62,915	85,300	22,385
Rent	640	668	28
Extracurricular Activities			0
Miscellaneous	83,995	128,213	44,218
Total Revenues	12,795,126	13,830,352	1,035,226
Expenditures:			
Current:			
Instruction:			
Regular	6,193,500	6,028,471	165,029
Special	1,257,455	1,248,303	9,152
Vocational	1,497,413	1,480,973	16,440
Adult/Continuing			0
Other	515,500	525,517	(10,017)
Support Services:			
Pupils	325,025	317,414	7,611
Instructional Staff	386,258	366,132	20,126
Board of Education	21,469	18,329	3,140
Administration	1,374,380	1,284,071	90,309
Fiscal	569,919	546,307	23,612
Operation and Maintenance of Plant	1,519,329	1,375,688	143,641
Pupil Transportation	1,882,057	1,849,066	32,991
Central	4,000		4,000
Non Instructional Services			0
Extracurricular Activities	39,350	30,644	8,706
Capital Outlay	76,540	76,330	210
Debt Service:			
Principal Retirement	36,931	36,931	0
Interest and Fiscal Charges	6,529	6,529	0
Total Expenditures	15,705,655	15,190,705	514,950
Excess of Revenues Over (Under) Expenditures	(2,910,529)	(1,360,353)	1,550,176
Other Financing Sources (Uses):			
Proceeds from Sale of Notes	2,819,000	2,819,000	0
Proceeds from Sale of Fixed Assets	3,100	3,102	2
Refund of Prior Year Receipts		(457,164)	(457,164)
Refund of Prior Year Expenditures		4,203	4,203
Operating Transfers In		62,545	62,545
Operating Transfers Out		(41,478)	(41,478)
Advances In			0
Advances Out		(144,152)	(144,152)
Other Financing Uses			0
Other Financing Sources	435	438	3
Total Other Financing Sources (Uses)	2,822,535	2,246,494	(576,041)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(87,994)	886,141	974,135
Fund Balances at Beginning of Year	131,953	131,953	0
Prior Year Encumbrances Appropriated	126,213	126,213	0
Fund Balances at End of Year	\$170,172	\$1,144,307	\$974,135

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,906,633	\$1,906,633	\$0
2,027,426	2,119,321	91,895	1,529,505	1,529,505	0
20,866	21,919	1,053	7,985	16,588	8,603
		0			0
		0			0
292,122	295,609	3,487			0
14,367	15,553	1,186			0
<u>2,354,781</u>	<u>2,452,402</u>	<u>97,621</u>	<u>3,444,123</u>	<u>3,452,726</u>	<u>8,603</u>
643,277	578,116	65,161			0
993,176	896,187	96,989			0
68,843	61,162	7,681			0
42,149	39,190	2,959			0
		0			0
253,056	233,487	19,569			0
236,717	203,899	32,818			0
		0			0
65,522	59,182	6,340			0
2,000	2,000	0	150	150	0
8,812	6,678	2,134			0
7,542	5,214	2,328			0
48,385	47,650	735			0
147,183	102,445	44,738			0
437,786	384,297	53,489			0
- 7,000	7,000	0			0
		0	3,257,864	3,237,000	20,864
		0	263,788	263,788	0
<u>2,961,448</u>	<u>2,626,507</u>	<u>334,941</u>	<u>3,521,802</u>	<u>3,500,938</u>	<u>20,864</u>
<u>(606,667)</u>	<u>(174,105)</u>	<u>432,562</u>	<u>(77,679)</u>	<u>(48,212)</u>	<u>29,467</u>
		0			0
		0			0
(785)	(785)	0			0
423	572	149			0
34,934	34,650	(284)		6,829	6,829
(4,861)	(4,681)	180		(7,129)	(7,129)
46,531	46,247	(284)			0
		0			0
		0			0
		0			0
<u>76,242</u>	<u>76,003</u>	<u>(239)</u>	<u>0</u>	<u>(300)</u>	<u>(300)</u>
(530,425)	(98,102)	432,323	(77,679)	(48,512)	29,167
512,052	512,052	0	86,209	86,209	0
56,427	56,427	0	0	0	0
<u>\$38,054</u>	<u>\$470,377</u>	<u>\$432,323</u>	<u>\$8,530</u>	<u>\$37,697</u>	<u>\$29,167</u>

(continued)

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Funds (Continued)
 For the Fiscal Year Ended June 30, 1999

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$416,196	\$429,985	\$13,789
Intergovernmental	194,261	194,273	12
Interest			0
Tuition and Fees			0
Rent			0
Extracurricular Activities			0
Miscellaneous		10	10
Total Revenues	610,457	624,268	13,811
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	556,337	368,487	187,850
Special			0
Vocational	9,980	9,907	73
Adult/Continuing			0
Other			0
Support Services:			
Pupils			0
Instructional Staff			0
Board of Education			0
Administration	10,000		10,000
Fiscal	21,000	20,117	883
Operation and Maintenance of Plant	14,850	14,808	42
Pupil Transportation			0
Central			0
Non Instructional Services			0
Extracurricular Activities			0
Capital Outlay	200,050	200,050	0
Debt Service:			
Principal Retirement			0
Interest and Fiscal Charges			0
Total Expenditures	812,217	613,369	198,848
Excess of Revenues Over (Under) Expenditures	(201,760)	10,899	212,659
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Notes			0
Proceeds from Sale of Fixed Assets			0
Refund of Prior Year Receipts			0
Refund of Prior Year Expenditures			0
Operating Transfers In			0
Operating Transfers Out		(50,736)	(50,736)
Advances In			0
Advances Out			0
Other Financing Uses			0
Other Financing Sources			0
Total Other Financing Sources (Uses)	0	(50,736)	(50,736)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(201,760)	(39,837)	161,923
Fund Balances at Beginning of Year	259,308	259,308	0
Prior Year Encumbrances Appropriated	12,965	12,965	0
Fund Balances at End of Year	\$70,513	\$232,436	\$161,923

See accompanying notes to the general purpose financial statements

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$8,421,773	\$8,891,990	\$470,217
		0	10,144,824	10,728,080	583,256
880	991	111	163,865	193,399	29,534
		0	83,781	107,219	23,438
		0	640	666	26
		0	292,122	295,609	3,487
		0	98,362	143,776	45,414
880	991	111	19,205,367	20,360,739	1,155,372
1,000	100	900	7,394,114	6,975,174	418,940
		0	2,250,631	2,144,490	106,141
		0	1,576,236	1,552,042	24,194
		0	42,149	39,190	2,959
		0	515,500	525,517	(10,017)
		0	578,081	550,901	27,180
		0	622,975	570,031	52,944
		0	21,469	18,329	3,140
		0	1,449,902	1,343,253	106,649
		0	593,069	568,574	24,495
		0	1,542,991	1,397,174	145,817
		0	1,889,599	1,854,280	35,319
		0	52,385	47,650	4,735
		0	147,183	102,445	44,738
		0	477,136	414,941	62,195
		0	283,590	283,380	210
		0	3,294,795	3,273,931	20,864
		0	270,317	270,317	0
1,000	100	900	23,002,122	21,931,619	1,070,503
(120)	891	1,011	(3,796,755)	(1,570,880)	2,225,875
		0	2,819,000	2,819,000	0
		0	3,100	3,102	2
		0	(785)	(457,949)	(457,164)
		0	423	4,775	4,352
		0	34,934	104,024	69,090
		0	(4,861)	(104,024)	(99,163)
		0	48,531	46,247	(284)
		0	0	(144,152)	(144,152)
(1,500)		1,500	(1,500)	0	1,500
		0	435	438	3
(1,500)	0	1,500	2,897,277	2,271,461	(625,816)
(1,620)	891	2,511	(899,478)	700,581	1,600,059
40,122	40,122	0	1,029,644	1,029,644	0
0	0	0	195,605	195,605	0
<u>\$38,502</u>	<u>\$41,013</u>	<u>\$2,511</u>	<u>\$325,771</u>	<u>\$1,925,830</u>	<u>\$1,600,059</u>

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Revenues,
 Expenses, and Changes in Fund Equity
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	\$285,927
Charges for Services	48,157
Other Revenues	<u>24,218</u>
Total Operating Revenues	<u>358,302</u>
<u>Operating Expenses:</u>	
Salaries	323,840
Fringe Benefits	127,084
Purchased Services	6,219
Materials and Supplies	72,218
Cost of Sales	332,762
Depreciation	265
Other	<u>620</u>
Total Operating Expenses	<u>863,008</u>
Operating Income (Loss)	<u>(504,706)</u>
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	45,466
Federal and State Subsidies	<u>453,816</u>
Total Non-Operating Revenues	<u>499,282</u>
Net Income (Loss)	(5,424)
Retained Earnings (Deficit) at Beginning of Year	<u>(420,453)</u>
Retained Earnings/Fund Balance (Deficit) at End of Year	(425,877)
Contributed Capital at Beginning of Year	518,024
Capital Contributions During the Year	<u>8,350</u>
Contributed Capital at End of Year	<u>526,374</u>
Total Fund Equity at End of Year	<u>\$100,497</u>

See accompanying notes to the general purpose financial statements

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Revenues, Expenses, and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$276,477	\$285,922	\$9,445
Charges for Services	36,604	48,157	11,553
Refund of Prior Year Expense	0	26	26
Other operating revenues	16,952	20,436	3,484
Total Revenues	330,033	354,541	24,508
Expenses:			
Salaries	306,506	291,508	14,998
Fringe Benefits	150,992	139,372	11,620
Purchased Services	9,862	6,350	3,512
Materials and Supplies	416,816	399,902	16,914
Capital Outlay	7,320	7,115	205
Other	820	620	200
Total Expenses	892,316	844,867	47,449
Operating Income (Loss)	(562,283)	(490,326)	71,957
Nonoperating Revenues			
Federal and State Subsidies	380,597	445,128	64,531
Total Nonoperating Revenues	380,597	445,128	64,531
Net Income Before Operating Advances-In	(181,686)	(45,198)	136,488
Operating Advances In	97,905	97,905	0
Excess of Revenues Over (Under) Expenses and Operating Transfers	(83,781)	52,707	136,488
Fund Equity at Beginning of Year	82,364	82,364	0
Prior Year Encumbrances Appropriated	3,995	3,995	0
Fund Equity at End of Year	\$2,578	\$139,066	\$136,488

The notes to the financial statements are an integral part of this statement

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
Increase (Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$285,922
Cash Received from Charge for Services	48,156
Other Operating Revenues	20,460
Cash Payments to Suppliers for Goods and Services	(363,134)
Cash Payments for Employee Services	(291,508)
Cash Payments for Employee Benefits	(139,370)
Cash Payments for Other Operating Expenses	(620)
Net Cash Used for Operating Activities	<u>(440,094)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	445,127
Advances In	97,905
Net Cash Provided by Noncapital Financing Activities	<u>543,032</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(4,209)
Net Increase (Decrease) in Cash and Cash Equivalents	98,729
Cash and Cash Equivalents at Beginning of Year	86,360
Cash and Cash Equivalents at End of Year	<u>\$185,089</u>
Reconciliation of Operating Income (Loss) to Net <u>Cash Used for Operating Activities:</u>	
Operating Income (Loss)	(\$504,706)
Adjustments to Reconcile Operating Income (Loss) to <u>Net Cash Used for Operating Activities:</u>	
Depreciation	265
Donated Commodities Used During Year	45,466
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(3,761)
Decrease in Inventory Held for Resale	1,486
Increase in Materials and Supplies Inventory	(46)
Increase in Compensated Absences Payable	5,414
Increase in Intergovernmental Payable	3,248
Increase in Due to Other Funds	7
Increase in Accounts Payable	1,926
Increase in Wages and Benefits	11,946
Decrease in Deferred Revenue	(1,339)
Total Adjustments	<u>64,612</u>
Net Cash Used for Operating Activities	<u>(\$440,094)</u>

Non-cash transaction:

During fiscal year 1999, the Food Service Enterprise Fund fixed asset additions in the amount of \$8,350 were received from governmental funds, and were recorded as contributed capital.

See accompanying notes to the general purpose financial statements

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**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 1 – Description of the School District and Reporting Entity

Description of the Entity

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 mandated by state and/or federal agencies. This Board of Education controls the School District's thirteen instructional/support facilities staffed by 121 non-certificated employees, 210 certificated full time teaching personnel and 23 administrative employees to provide services to 3072 students and other community members.

The School District is the second largest in square miles in the State. It is located in Monroe County and parts of Noble and Belmont counties.

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

Parochial School – Within the School District boundaries, St. Sylvester's School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this 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 service 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 organizations; 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 approved the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Village of Woodsfield The village government of Woodsfield is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city service. Council acts as the taxing and budgeting authority for these city services.

Townships located within District Township governments are separate bodies politic and corporate. A board of trustees and clerk are elected independent of any school district relationships and administer the traditional township services. The Trustees act as the taxing and budgeting authority for these services.

PTO and Athletic Boosters These organizations exist to support the various endeavors of the school district through donations of time and other resources. Although the school district benefits directly from the activities, the district neither manages nor directs the operations nor provides financial support to these groups.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note – 1 Description the School District and Reporting Entity (continued)

Switzerland Education Association The association is operated under Ohio Bargaining Law, which requires a separation of the bargaining unit and the School District. The Association represents the eligible certificated employees of the School District regarding personnel related matters. The School District does not designate or appoint the representatives, approve and revise budgets, supervise accounting functions, or assume responsibility for financing deficits. Therefore, the Association is not included in the reporting entity.

The School District is associated with one jointly governed organization and one public entity risk pool. These organizations are discussed in Note 19 and Note 20 to the general purpose financial statements. These organizations are:

Jointly Governed Organization

Southeastern Ohio Voluntary Educational Consortium (SEOVEC)

Public Entity Risk Pools

Ohio School Board Association Workers' Compensation Group Rating Program.

School District Financial Planning and Supervision Commission A Financial Planning and Supervision Commission (Commission), as outlined in Ohio Revised Code Section 3316.05, was established. The Commission has the following powers, duties and functions:

1. To review or assume responsibility for the development of all tax budgets, tax levy and bond and note resolutions, appropriation measures, and certificate of estimated resources, to ensure that they are consistent with the financial recovery plan and a balanced budget for the current fiscal year; to request and review information on which the plan and a balanced budget may be developed and based; and to determine whether revenue and expenditure estimates will result in a balanced budget;
2. To review, revise, and approve determinations and certifications affecting the school district made by the county budget commission or county auditor, and to ensure that such determinations are consistent with state law;
3. After consulting with school district officials and the Auditor of State, to implement or require implementation of the steps necessary to bring the accounting, financial, and reporting procedures and systems of the district into compliance with the Auditor's rules, and to assume responsibility for achieving such compliance;
4. To assist the school district, or to assume responsibility for structuring the terms and placement for sale of the district's obligations;
5. To make and enter into all contracts necessary or incidental to the performance of its duties and the exercise of its powers;
6. To consult with officials of the district and make recommendations or assume responsibility for implementing cost reductions and revenue increases to achieve balanced budgets and carry out the financial recovery plan; and
7. The commission is authorized to require the school district board to establish, by resolution, monthly level of expenditures and encumbrances consistent with the financial recovery plan and the commission's review of the district's appropriation measures, or could establish such levels itself. If the commission permits the district to make expenditures, it must monitor monthly spending levels and require justification documents to substantiate any expenditure apart from the approved level without the written approval of the commission.

The Commission is still developing actions for its financial recovery plan.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 2 – Summary of Significant Accounting Policies

The financial statements of Switzerland of Ohio Local 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation – Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statements presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

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

Special Revenues Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds)

Proprietary Fund Type

Proprietary Funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation – Fund Accounting (continued)

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individual, private organizations, other governmental units and/or other funds. The District's fiduciary funds include agency funds and an expendable trust fund. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i. e., revenues and other financing uses) and decreases (i.e. expenditures and other financing uses) in net current assets.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i. e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 2 – Summary of Significant Accounting Policies (continued)

B. Measurement

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measure 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities used during the year are reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearing are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Monroe County Budget Commission for rate determination.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 2 – Summary of Significant Accounting Policies (continued)

C. Budgetary

Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriations measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended Certificate issued for the fiscal year 1999.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures which are the legal levels of budgetary control. Prior to the passage of the annual appropriations measure, the Board may pass a temporary resolution to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriations or alter total functions appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparison represent the final appropriations by fund do not exceed the amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non – GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Equivalents (continued)

During fiscal year 1999, the School District's investments were limited to an overnight repurchase sweep account and STAR Ohio. The nonparticipating investment contracts, repurchase agreements, are reported at cost.

State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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 1999 amounted to \$198,933 which includes \$115,064 assigned from other School District funds.

The District has segregated bank accounts for monies held separate from the district's central bank account. These accounts are maintained by the District's banks that are servicing the District's debt and are presented in the combined balance sheet as "cash and cash equivalents with fiscal agents" since they are not required to be deposited into the District Treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of 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 considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. By statute, money must be set aside to create a budget stabilization reserve, and may also include amounts for the purchase of textbooks and instructional materials, and for the construction or acquisition of capital improvements. The balance held by the School District for school bus purchases as required by the Ohio Revised Code may also be restricted. The reserve for budget stabilization consists of a refund received in fiscal year 1998 from the Bureau of Workers' Compensation, which State statute required to be included in this reserve. See Note 21 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food and non-food supplies and are expended when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 2 – Summary of Significant Accounting Policies (continued)

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of one hundred dollars. The District has opted to include textbooks and library books as fixed assets. The District does not have any infrastructure.

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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivable and revenues when measurable and available. Reimbursement type grants are recorded as receivable and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

1. General Fund

- State Foundation Program
- School Bus Purchase
- State Property Tax Relief

Non-Reimbursable Grants

1. Special Revenue Funds

- Auxiliary Service
- Title VI B
- Disadvantaged Pupil Impact Aid
- Title I
- Drug Free Schools
- Preschool Educational Management Information System
- Professional Development
- Adult Basic Education
- Goals 2000 Intervention
- Secondary Grant
- Federal Grants
- Textbook Subsidy

2. Capital Project funds

- School Net Plus
- Technology Equity

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 2 – Summary of Significant Accounting Policies (continued)

I. Intergovernmental Revenues (continued)

Reimbursable Grants

1. **General Fund**
Driver Education
2. **Special Revenue Funds**
Vocational Education Travel
3. **Capital Project Funds**
Vocational Education Equipment
4. **Proprietary Funds**
National School Breakfast Program
National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 54 percent of governmental fund revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Receivable and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to their funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivable" and "interfund payables"

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation are attributable to services already rendered and it is probable that the School District 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 all 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 the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after eight years of current service with the District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long term obligations account group. In proprietary funds, the entire amount of compensated absence is reported as a fund liability.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 2 – Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations accounts group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year-end are considered not to have been paid with current available financial resources. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Interfund Transaction

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization, unclaimed monies and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be-set aside by statute to protect against cyclical changes in revenues and expenditures.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. The amount of contributed capital increased in the amount of \$8,350 for contributions from governmental funds. The School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal 1998. The exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. 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 result may differ from those estimates.

Switzerland of Ohio Local School District
 Monroe County, Ohio
 Notes to the General Purpose Financial Statements
 For the Year Ended June 30, 1999

Note 2 – Summary of Significant Accounting Policies (continued)

Q. Total Columns on General Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flow in conformity with generally accepted accounting principals. Neither is such data comparable to a consolidation. Interfund eliminations have both been made in the aggregation of this data.

Note 3 – Change in Accounting Principal

The District has also implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". Under new Internal Revenue Service guidelines, assets of the plan are held in trust for the benefit of the participants and their beneficiaries. The Ohio Public Employees Deferred Compensation Board established a trust fund on September 1, 1998. The District has no fiduciary responsibility for the trust so the amount held for District employee participants is no longer presented on the District's financial statements.

Note 4 – Accountability and Compliance

A. Fund Deficits

At June 30, 1999, the following funds had deficit fund balances/retained earnings, which were created by the application of generally accepted accounting principles.

	<u>Fund Equity</u>
General Fund	\$ 4,429,937
Enterprise Fund:	
Lunchroom	458,329

B. Compliance

The following funds had disbursements in excess of appropriations for the fiscal year ended June 30, 1999, contrary to Ohio Revised Code Section 5705.41(B).

	<u>Excess of Expenditures Over Appropriations</u>
General Fund:	
Other Instruction-Other	\$ 10,017
Other Financing Sources/Uses	
Operating Transfer Out	41,478
Refund of Prior Year Receipt	457,164
Capital Projects Fund:	
ARC Vocational Education	
Other Financing Sources/Uses	
Operating Transfers Out	50,736
Debt Service Fund:	
State Loan	
Operating Transfers Out	7,129

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 4 – Accountability and Compliance (continued)

B. Compliance (continued)

The following fund had appropriations in excess of estimated resources for the fiscal year ended June 30, 1999, contrary to Ohio Revised Code Section 5705.39:

Special Revenue Fund:	
Athletic and Music	\$10,622

Note 5 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity – Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type are 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statements (budget basis) rather than on the balance sheet transactions (GAAP basis).
5. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statement by fund type:

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 5 – Budgetary Basis of Accounting (Continued)

**Excess of Revenues and Other Financing Sources
Over (under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds**

	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ (724,179)	\$(159,182)	\$ -0-	\$609,302	\$(109)
Net Adjustment Revenue Accruals	(1,091,198)	(16,666)	3,452,726	(207,785)	-0-
Note Proceeds	2,819,000	-0-	-0-	-0-	-0-
Net Adjustment Expenditure Accruals	(54,804)	63,966	(150)	(13,814)	1,000
Debt Principal Payments		-0-	(3,237,000)	-0-	-0-
Interest and Fiscal	241,233	-0-	(263,788)	18,535	-0-
Reserve for Advances-In	-0-	46,247	-0-	-0-	-0-
Transfers In	(6,754)	-0-	6,829	-0-	-0-
Transfers Out	7,054	-0-	(7,129)	-0-	-0-
Net Adjustment Encumbrances	(160,059)	(32,467)		(446,075)	-0-
Advances-Out	(144,152)	-0-	-0-	-0-	-0-
Budget Basis	\$ 886,141	\$(98,102)	\$ (48,512)	\$ (39,837)	\$ 891

**Net Income/Loss/Excess of Revenues Over/Under Expenses and Operating Transfers
Proprietary Fund Type**

	Enterprise Fund
GAAP Basis	\$ (5,424)
Revenue Accruals	(49,227)
Operating Grants	(8,688)
Expense Accruals	17,876
Depreciation Expense	265
Encumbrances	-0-
Advance-In	97,905
Budget Basis	\$ 52,707

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 6 – Deposits and Investments

State status classify monies held by the School District into three categories

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits 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 deposits accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities;

1. United States treasury notes, bills, bonds, or any other obligation or securities 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 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 association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (Star Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty five percent of the interim monies available for investment at any one time;

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 investment to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 6 – Deposits and Investments (continued)

During fiscal year 1999, the School District's investments were limited to an overnight repurchase sweep account and STAR Ohio.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits

At year-end, the carrying amount of the District's cash and deposits was (\$58,594) and the bank balance was \$73,324. All of the bank balance was covered by federal depository insurance.

Investments

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end.

Category 1 includes investments that are insured or registered or for which securities are held by the School District or its agent in the School District's name.

Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust departments or agent in the School District's name.

Category 3 includes uninsured and unregistered investments for which the securities held by the counterparty or by its trust department or agent but not in the School District's name.

The School District investment in Star Ohio, an investment pool operated by the Ohio State Treasurer are unclassified investments since they are not evidenced by securities that exists in physical or book energy form.

	Category 1	Category 2	Category 3	Fair Value
Repurchase Agreement			\$ 76,891	\$ 76,891
STAR Ohio				\$3,006,990
Total				\$3,083,881

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalent / Deposits	Investments
GASB Statement 9	\$3,025,287	\$ -0-
Investments:	(76,891)	76,891
STAR OHIO	(3,006,990)	3,006,990
GASB Statement 3	\$(58,594)	\$3,083,881

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 7 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien dates. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty five percent of true value. The assessed values upon which the fiscal 1999 taxes were collected are:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential/ Other Real Estate	\$ 161,693,430	54%	\$ 163,486,040	52%
Public Utility Personal	57,649,740	19%	57,580,980	19%
Tangible Personal Property	79,635,800	27%	91,677,237	29%
Total Assessed Valuation	298,978,970	100%	312,744,257	100%
Tax rate per \$1000 of assessed valuation	37.90		37.90	

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Monroe County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$435,838 and is recognized as revenue.

Note 8 – Receivables

Receivables at June 30, 1999, consisted of taxes, tuition, interfund and intergovernmental grants. 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. A summary of the principal items of intergovernmental receivable follows:

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 8 – Receivables(continued)

General Fund:	
State Foundation	\$ 7,217
CAFS	9,892
OWA Monroe County	3,500
Other	<u>70</u>
Total General Fund	<u>\$ 20,679</u>
Special Revenue Fund:	
LEAD Grant	\$ 20,270
Voc Ed	<u>11,055</u>
Total Special Revenue Fund	<u>\$ 31,325</u>
Enterprise Funds:	
National School Lunch Program	\$ 58,095
State Lunch Program	<u>5,806</u>
Total Enterprise Funds	<u>\$ 63,901</u>
Total Intergovernmental Receivables	<u>\$115,905</u>

Note 9 – Fixed Assets

A Summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$478,888
Less: accumulated depreciation	414,937
Net Fixed Assets	\$ 63,951

A summary of the change in general fixed assets during fiscal year 1999 follows:

	Balance 07/01/98	Additions	Deductions	Balance 07/01/99
Land and Improvements	\$ 856,886	\$ -0-	\$ -0-	\$ 856,886
Buildings and Improvements	10,645,083	34,861	-0-	10,679,944
Furniture and Equipment	5,903,307	221,626	20,198	6,104,735
Vehicles	2,900,044	49,890	255,888	2,694,046
Textbooks and Library Books	1,335,059	-0-	-0-	1,335,059
Total General Fixed Assets	\$ 21,640,379	\$ 306,377	\$ 276,086	\$ 21,670,670

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 10 – Risk Management

1. 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 omission; injuries to employees; and natural disasters. For fiscal year 1999, the School District contracted with Indiana Insurance for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Indiana Insurance covers the boiler and machinery with a \$1,000 deductible and a \$40,360,845 limit.

The Nationwide Insurance Company with a \$2,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible protects Professional liability. Vehicles are covered by Nationwide Insurance and hold a \$1,000 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

2. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school district is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shared equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 11 – Defined Benefit Pension Plans

School Employee Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount by the SERS Retirement Board. The School District's required contributions for pension obligation to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$174,353, \$216,539 and \$230,504 respectively; 52 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997.

\$83,173 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respected funds and the general long-term obligations account group.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 11 – Defined Benefit Pension Plans (continued)
State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Code. STRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teacher Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal year ended June 30, 1999, 1998 and 1997 were \$519,846, \$886,631 and \$942,943 respectively; 85 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997.

\$76,630 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

Social Security System

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 School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, *four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.*

Note 12 – Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District, this amount equaled \$693,128 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 12 – Postemployment Benefits (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$166,671.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 13 – Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five 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, administrative and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulated is limited to 240 days. Upon retirement, payment is made for twenty five percent of the total sick leave accumulation, up to a maximum accumulation of 55 days.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees. Coverage in the amount of \$25,000 is provided for all certified and non-certified employees. Administrators have coverage of twice the salary amount with a maximum of \$100,000.

The District has contracted with Aetna Insurance to provide employee medical/surgical, and dental benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for medical /surgical benefits. For fiscal year 1999, the School District's and the employees' premiums for medical/surgical benefits for the staff were \$503 and \$54 for family coverage and \$180 and \$20 for single coverage per employee per month, respectively. The premium for dental coverage was funded entirely by the School District at \$43 and \$15 per employee per month for family and single coverage, respectively.

C. Special Termination Benefits

The 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 Board. Any certificated staff covered under this contract who retires at any other time is eligible to receive one-fourth of their accumulated sick leave up to a maximum of 56 days.

The District's negotiated agreement with OAPSE/AFSCME Local 4 provides for payment of one-fourth of total accumulated sick leave to any classified employee covered under their contract who retires while in service with the District.

The District's policies provide for payment of one-fourth of accumulated sick leave to any administrative staff who retires from service with the District.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 14 – Long-term Obligations

The changes in the District's long-term obligations during fiscal year 1999 were as follows:

	Outstanding 06/30/98	Additions	Reductions	Outstanding 06/30/99
Compensated Absences	\$ 1,585,577	\$ 259,622	\$ 111,384	\$ 1,733,815
Capital Lease Payable	58,774	-0-	36,931	21,843
Tax Refund Payable	1,514,572	-0-	457,158	1,057,414
Early Retirement Incentive	-0-	81,993	-0-	81,993
Long-term Pension Liability	118,576	123,380	118,576	123,380
Total Long-term Obligations	\$ 3,277,499	\$ 464,995	\$ 724,049	\$ 3,018,445

Compensated absences, early retirement incentive and long-term pension obligations will be paid from the fund, which the employee's salaries are paid. Capital leases are paid from the general fund.

Based on a March 26, 1997 decision by the Ohio State Supreme Court, the District is required to refund to Texas Eastern Transmission Corporation public utility property taxes collected for the 1991 through 1996 tax years. The liability will be paid from the General Fund through reductions in tax settlements. No interest will be charged on the liability for the 1992 through 1996 tax years.

Requirements to retire the Tax Refund obligation at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Requirement
2000	\$ 443,647
2001	404,267
2002	209,500
Total	\$ 1,057,414

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 15 – Short-term Obligations

Debt outstanding at June 30, 1999 consisted of the following:

Issue	Interest Rate	Maturity Date	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
Energy Conservation Notes	5.50%	12/01/03	\$ 675,000	\$ -0-	\$ 135,000	\$ 540,000
State Operating Loan	6.25%	12/01/00	\$1,060,000	-0-	515,000	545,000
State Operating Loan	5.50%	06/01/99	\$ 317,000	-0-	317,000	-0-
State Operating Loan	4.85%	06/01/00	\$1,128,000	-0-	543,000	585,000
Tax Anticipation Note	4.80%	12/01/00	\$ 425,000	-0-	135,000	290,000
State Solvency Advancement	0.00%	06/30/01	\$ -0-	2,819,000	-0-	2,819,000
Tax Anticipation Note	4.55%	12/01/98	\$1,317,000	-0-	1,317,000	-0-
Permanent Improvement Note	4.90%to 4.95%	12/01/99	\$ 560,000	-0-	275,000	285,000
Total			\$5,482,000	\$ 2,819,000	\$ 3,237,000	\$ 5,064,000

All current obligation notes outstanding, issued to provide funds for the operating expenses and acquisition and construction of equipment and facilities, are general obligations of the School District for which the full faith and credit of the School District is pledge for repayment. Payment of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund on the budget basis and in the General Fund and Capital Project Fund on a GAAP basis.

A summary of the District's future amortization of debt funding requirements as of June 30, 1999 follows:

Year Ending June 30	Principal	Interest	Total
2000	\$3,099,500	\$110,042	\$3,209,542
2001	1,694,500	25,875	1,720,375
2002	135,000	14,850	149,850
2003	135,000	7,425	142,425

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 16 – Capital Leases – Lessee Disclosure

The School District has capitalized leases for telephone equipment and classroom modulars. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statement for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. General fixed assets consisting of equipment and classroom modulars have been capitalized in the general fixed assets account group in the amount of \$723,384. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 total \$36,931 in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30	GLTOAG
2000	\$ 5,240
2001	5,240
2002	5,240
2003	5,240
2004	5,240
<u>2005</u>	<u>436</u>
Total	\$26,636
Less: Amount Representing Interest	(\$ 4,793)
Present Value of net Minimum Lease Payments	<u>\$ 21,843</u>

Note 17 – Segment Information for Enterprise Fund

The School District maintains three enterprise funds to account for the operations of food service, rotary, and adult vocational education. The table below reflects in a summarized format the more significant financial data relating to the enterprise fund of the School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Rotary	Adult Vocational	Total
Operating Revenues	\$297,026	\$51,938	\$9,338	\$358,302
Operating Expense Less Depreciation	803,877	50,804	8,062	862,743
Depreciation Expense	265	-0-	-0-	265
Operating Income (Loss)	(507,116)	1,134	1,276	(504,706)
Donated Commodities	45,466	-0-	-0-	45,466
Operating Grants	453,816	-0-	-0-	453,816
Operating Transfers	-0-	-0-	-0-	-0-
Net Income (Loss)	(7,834)	1,134	1,276	(5,424)
Fixed Asset Additions	4,209	-0-	-0-	4,209
Net Working Capital	4,094	31,149	1,303	36,546
Total Assets	289,660	32,292	1,504	323,456
Long-term Compensated	44,172	-0-	60	44,232

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Absences Payable				
Total Equity	68,045	31,149	1,303	100,497
Encumbrances at June 30, 1999	45,072	951	-0-	46,023

Note 18 – Year 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Educational Management and Information System (EMIS)). The District has fourteen buildings with power, heating and air conditioning systems, which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform Accounting System software for its financial reporting, and payroll and employee benefits. The State of Ohio is responsible for remediating this system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

The School District contracts with Johnson Controls, Inc. for its heating and air-conditioning systems. Johnson Controls, Inc. has stated that the Metasys Companion product family is year 2000 compliant at all revision levels.

In the continuing effort to assess all computer equipment, other areas may be found and, if so, changes will be made in those systems. The School District anticipates that all costs will be handled through departmental and or building appropriations.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

Note 19 – Jointly Governed Organization

The Southeast Ohio Voluntary Educational Consortium (SEOVEC), was created as a regional council of governments pursuant to Statue statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

Note 20 – Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President – Elect and the Immediate Past President of the OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 21 – Set-Aside Calculations and Fund Reserves

The District is required by State statute to annually set aside in the General Fund an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside if the District's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve. The District is not required to fund the budget stabilization reserve due to being in fiscal emergency as explained in Note 24. The District also receives monies designated for school bus purchases and during fiscal year 1999 all school bus purchase monies were encumbered.

The following information describes any changes in the amounts set-aside for textbooks and instructional materials and capital improvements from the end of the prior year to the end of the current year.

	<u>Budget Reserves</u>	<u>Textbook and Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside balance, June 30, 1998 (Workers' Compensation Refund)	\$ 108,196	\$ -0-	\$ -0-
Current Year Set-Aside Requirement	-0-	216,086	216,086
Qualifying Expenditures During During the Year	-0-	159,001	343,366
Amount of Offsets for the Year	<u>-0-</u>	<u>96,601</u>	<u>376,894</u>
Total	<u>\$ 108,196</u>	<u>(\$ 39,516)</u>	<u>(\$ 504,174)</u>
Balance of Set-Aside, June 30, 1999	<u>\$ 108,196</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Note 22 – State School Funding Decision

One March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portion of the Ohio school-funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support of this District. During the fiscal year ended June 30, 1999, the District received \$6,853,848 of school foundation support.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money form a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. During fiscal year 1995, the District borrowed \$1,549,000 under this program; the final payment of this note will be made in fiscal year 2000. During fiscal year 1997, the District had borrowed \$618,000 under this program; the final payment of this note was made in fiscal year 1999. During fiscal year 1998, the District borrowed \$1,128,000 under this program; the final payment of this note will be made in fiscal year 2000. The District repaid \$1,375,000. The terms of the debt are further described in Note 15 to these financial statements.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 22 – State School Funding Decision (continued)

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the District to borrow against amounts anticipated to be collected from tangible personal property taxes after the District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the District borrowed \$1,317,000 under this program. This amount was repaid in fiscal year 1999. The District repaid \$1,452,000 borrowed in previous fiscal years. During Fiscal Year 1999, the District relied on this borrowing to meet their cash flow needs at the end of the fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

Since the Supreme Court ruling, numerous pieces of legislation has been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined that they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

Note 23 – Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally required compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

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

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 24 – Going Concern Considerations

Switzerland of Ohio Local School District is in a state of "fiscal emergency" as since the school district board failed to submit a recovery plan acceptable to the state superintendent of public instruction with 120 days of being declared in a fiscal watch. The District was declared to be in fiscal watch on November 27, 1996. The plan submitted by the District on March 26, 1997 was rejected by the state superintendent of public instruction and the District was placed in fiscal emergency on June 9, 1999. Upon the declaration of a fiscal emergency in a school district, a financial planning and supervision commission is to be established to govern the district and the District is eligible for emergency funds (Solvency Loans).

In addition to the District being in fiscal emergency, the following conditions or events are of concern:

The District's debt balance at June 30, 1999 was \$5,064,000 and the debt balance at November 24, 1999 was \$4,551,455.

The District is repaying Texas Eastern for public utility property taxes paid in 1991 through 1996 tax years, the District still owes a tax refund of \$1,057,414 with annual amounts being reduced from tax settlements. Columbia Gas has challenged their public utility property taxes paid across the State, if Columbia Gas wins their lawsuit, it will create additional tax liability for the District;

Included in the District's June 30, 1999 debt totals above is the following operating debt: 2 emergency school assistance loans for a total of \$1,130,000, 1 spending reserve borrowing note (tax anticipation note) for a total of \$290,000 and a solvency loan for a total of \$2,819,000;

The District recently signed a three-year agreement with the teacher's union. This agreement grants no raises over the life of the contract;

For tax year 2000, the District will lose tax revenues from the shutdown of a Consolidated Coal Company mine;

The District's staffing is at State minimum requirements therefore limiting the District's ability to cut costs through staff reduction;

The District passed a 2.5-mill, 3 year permanent improvement renewal levy in May 1999 and a 5-mill, 5-year operating levy in May 1995, three recent attempts to pass operating levies failed. A one percent income tax levy failed in May 1998; and

For the fiscal year ended June 30, 2000 the District adopted a balanced budget by using funds from the Solvency Loan program. As of December 31, 1999 the District's general fund has received approximately 51 percent of their combined anticipated receipts and disbursed an amount equal to approximately 44 percent of their combined appropriations.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-cash Receipts	Expenditures	Non-cash Expenditures
U.S. Department of Agriculture						
<i>Passed-Through State Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$45,188	\$0	\$45,466
School Breakfast Program	48652-05-PU-98	10.553	21,348		21,348	
School Breakfast Program	48652-05-PU-99	10.553	65,818		65,818	
Total School Breakfast Program			87,166		87,166	
National School Lunch Program	48652-03-PU-98	10.555	72,991		72,991	
National School Lunch Program	48652-03-PU-99	10.555	245,559		245,559	
Total National School Lunch Program			318,550		318,550	
Total U.S. Department of Agriculture - Child Nutrition Cluster			405,716	45,188	405,716	45,466
U.S. Department of Labor						
<i>Passed-Through State Department of Education:</i>						
School To Work Grant	48652-WK-BE-00	17.249	8,098		8,098	
Total U.S. Department of Labor			8,098		8,098	
U.S. Department of Education						
<i>Passed-Through State Department of Education:</i>						
Adult Education - State Grant Program	48652-AB-S1-98	84.002	4,245		4,245	
	48652-AB-S1-98C	84.002	12,487		12,487	
	48652-AB-S1-99	84.002	2,939		2,939	
Total Adult Education - State Grant Program			19,671		19,671	
Title I Grants to Local Educational Agencies	48652-C1-S1-97	84.010			183	
	48652-C1-S1-98	84.010			144,591	
	48652-C1-S1-98C	84.010			166,582	
	48652-C1-S1-99	84.010	790,622		664,663	
Total Title I Grants to LEA's			790,622		976,019	
Special Education Cluster:						
Special Education Grants to States (Title VI-B)	48652-6B-SF-98P	84.027			34,558	
	48652-6B-SF-99P	84.027	143,985		114,574	
Total Special Education Grants to States			143,985		149,132	
Special Education Preschool Grants	48652-PG-S1-98P	84.173			2,974	
Total Special Education Cluster			143,985		152,106	
Vocational Education Basic Grants to States	48652-20-C1-98	84.048	11,055		9,971	
	48652-20-C1-99	84.048	63,991		64,322	
Total Vocational Education Basic Grants to States			75,046		74,293	
Safe and Drug Free Schools and Communities State Grants	48652-DR-S1-98	84.186			526	
	48652-DR-S1-99	84.186	9,875		9,875	
Total Safe and Drug Free Schools			9,875		10,401	
Goals 2000 Grant	48652-G2-A2-99	84.276	1,502		10,562	
	48652-G2-S2-99	84.276	20,000		1,602	
Total Goals 2000 Grant			21,502		12,164	
Eisenhower Professional Development State Grant	48652-MS-S1-97C	84.281			668	
	48652-MS-S1-98	84.281			1,086	
	48652-MS-S1-98C	84.281			7,347	
	48652-MS-S1-99	84.281	22,097		3,640	
Total Eisenhower Professional Development Grant			22,097		12,741	
Innovative Education Program Strategies (Title VI)	48652-C2-S1-98	84.298			1,799	
	48652-C2-S1-98C	84.298			421	
	48652-C2-S1-99	84.298	15,848		12,030	
Total Innovative Education Program Strategies			15,848		14,250	
Total U.S. Department of Education			1,098,646		1,271,645	

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Federal Grantor/ Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-cash Receipts	Expenditures	Non-cash Expenditures
Appalachian Regional Commission						
<i>Passed-Through State Department of Education:</i>						
Appalachian Vocational and Other Education Facilities and Operations	48652-D1-13-00-99	23.012	10,365		10,365	
Total Appalachian Regional Commission			10,365		10,365	
Total Federal Awards Receipts and Expenditures			\$1,522,825	\$45,188	\$1,695,824	\$45,466

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the School District had food commodities valued at \$1,784 in inventory.

NOTE C -- NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAMS

Federal monies are commingled with total food service funds. It is assumed federal monies are expended first.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Switzerland of Ohio Local School District, Monroe County, Ohio, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 8, 2000, in which we noted the School District changed its method of accounting for deferred compensation plan and in which we expressed substantial doubt about the School District's ability to continue as a going concern. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-11056-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated February 8, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated February 8, 2000.

Switzerland of Ohio Local School District
Monroe County

Report of Independent Accountants' on Compliance and on Internal Control Required by
Government Auditing Standards

Page 2

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

February 8, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of Switzerland of Ohio Local School District, Monroe County, Ohio, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

Switzerland of Ohio Local School District
Monroe County

Report of Independent Accountants on Compliance With Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State
February 8, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Education Agencies - CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

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

Compliance

FINDING NUMBER 1999-11056-001

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations at the legal level of control:

General Fund:

Other Instruction	
Other	\$ 10,017
Other Financing Sources/Uses	
Operating Transfer-Out	41,478
Refund of Prior-Year Receipt	457,164

Capital Projects Fund:

ARC Vocational Education:

Other Financing Sources/Uses	
Operating Transfers-Out	50,736

Debt Service Fund:

State Loan Fund:

Other Financing Sources/Uses	
Operating Transfers-Out	7,129

We recommend the Treasurer periodically review the budgetary reports to ensure that expenditures do not exceed appropriations.

3. FINDINGS FOR FEDERAL AWARDS

None.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
1998-11056-001	Ohio Rev. Code Section 5705.39, Appropriations exceed total Estimated Resources	Yes	Finding No Longer Valid. The School District has corrected this deficiency.
1998-11056-002	Ohio Rev. Code Section 5705.41 (B), Expenditures exceeded Appropriations	No	Partially corrected. The School District has made improvements in this area.

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-11056-001	The School District Treasurer will review appropriation report more thoroughly to ensure expenditures do not exceed appropriations when a purchase order is submitted for the Clerk's certification.	June 30, 2000	Kevin Robertson, District Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: MAR 21 2000