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AUDITOR OF STATE

STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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 District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2002, and the results of its operations and cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 11, 2002

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Switzerland of Ohio Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<u>Assets and Other Debits:</u>								
<u>Assets:</u>								
Equity in Pooled Cash and Cash Equivalents	\$1,848,224	\$790,953	\$345,374	\$137,638	\$120,575	\$0	\$0	\$3,242,764
Receivables:								
Taxes	5,238,324	0	436,963	0	0	0	0	5,675,287
Accounts	51,534	554	0	0	0	0	0	52,088
Interfund	23,379	0	0	0	0	0	0	23,379
Intergovernmentals	55,005	135,221	0	42,478	0	0	0	232,704
Due from other funds	21,246	0	0	0	0	0	0	21,246
Inventory Held for Resale	0	0	0	6,644	0	0	0	6,644
Materials and Supplies								
Inventory	0	0	0	1,504	0	0	0	1,504
Prepaid	45,542	0	0	0	0	0	0	45,542
Restricted Asset:								
Cash and Cash Equivalents	108,196	0	0	0	0	0	0	108,196
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	134,121	0	23,702,642	0	23,836,763
<u>Other Debits:</u>								
Amount to be Provided from General Government Resources	0	0	0	0	0	0	1,773,768	1,773,768
Total Assets and Other Debits	\$7,391,450	\$926,728	\$782,337	\$322,385	\$120,575	\$23,702,642	\$1,773,768	\$35,019,885

Switzerland of Ohio Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<u>Liabilities, Fund Equity and Other Credits:</u>								
<u>Liabilities:</u>								
Payables:								
Accounts	\$62,501	\$29,394	\$13,122	\$1,796	\$0	\$0	\$0	\$106,813
Accrued Wages and Benefits	1,484,098	242,922	0	55,211	0	0	0	1,782,231
Compensated Absences	39,610	405	0	31,199	0	0	1,589,695	1,660,909
Special Termination Benefits	25,309	9,432	0	0	0	0	27,392	62,133
Intergovernmental	321,037	41,606	0	23,767	0	0	133,839	520,249
Interfund	0	23,379	0	0	0	0	0	23,379
Due to Other Funds	0	21,246	0	0	0	0	0	21,246
Deferred Revenue	4,722,660	94,690	406,200	0	0	0	0	5,223,550
Due to Students	0	0	0	0	77,764	0	0	77,764
Undistributed Monies	0	0	0	0	400	0	0	400
Capital Lease Payable	0	0	0	0	0	0	22,842	22,842
Energy Conservation Loan Payable	135,000	0	0	0	0	0	0	135,000
Total Liabilities	6,790,215	463,074	419,322	111,973	78,164	0	1,773,768	9,636,516
<u>Fund Equity and Other Credits:</u>								
Investment in General Fixed Assets	0	0	0	0	0	23,702,642	0	23,702,642
Contributed Capital	0	0	0	526,374	0	0	0	526,374
Retained Earnings:								
Unreserved (Deficit)	0	0	0	(315,962)	0	0	0	(315,962)
Fund Balances:								
Reserve for Encumbrances	384,225	227,545	282,628	0	0	0	0	894,398
Reserved for Unclaimed Monies	1,102	0	0	0	0	0	0	1,102
Reserved for Property Tax	515,996	0	30,763	0	0	0	0	546,759
Reserved for Budget Stabilization	108,196	0	0	0	0	0	0	108,196
Unreserved, Undesignated (Deficit)	(408,284)	236,109	49,624	0	42,411	0	0	(80,140)
Total Fund Equity and Other Credits	601,235	463,654	363,015	210,412	42,411	23,702,642	0	25,383,369
Total Liabilities, Fund Equity and Other Credits	\$7,391,450	\$926,728	\$782,337	\$322,385	\$120,575	\$23,702,642	\$1,773,768	\$35,019,885

See accompanying Notes to the General Purpose Financial Statements

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 Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Taxes	\$8,306,639	\$0	\$658,347	\$0	\$8,964,986
Intergovernmental	10,202,625	2,667,664	106,767	0	12,977,056
Interest	68,631	0	0	1,198	69,829
Tuition and Fees	78,228	32,614	0	0	110,842
Rent	400	0	0	0	400
Extracurricular Activities	8,540	249,219	0	0	257,759
Miscellaneous	522,688	18,637	1,486	0	542,811
Total Revenues	19,187,751	2,968,134	766,600	1,198	22,923,683
Expenditures:					
Current:					
Instruction:					
Regular	6,465,193	718,104	198,596	0	7,381,893
Special	1,213,750	1,031,122	0	0	2,244,872
Vocational	2,057,323	128,166	0	0	2,185,489
Adult/Continuing	0	35,177	0	0	35,177
Other	629,427	88,799	0	0	718,226
Support Services:					
Pupils	432,396	190,131	0	0	622,527
Instructional Staff	467,801	223,584	25,000	0	716,385
Board of Education	16,854	0	0	0	16,854
Administration	1,500,602	57,996	0	0	1,558,598
Fiscal	506,410	1,000	17,484	0	524,894
Operation and Maintenance of Plant	1,493,618	8,093	0	0	1,501,711
Pupil Transportation	2,052,204	35,937	71,330	0	2,159,471
Central	42,099	13,548	0	0	55,647
Non-Instructional Services	0	67,667	0	0	67,667
Extracurricular Activities	164,845	275,921	0	0	440,766
Capital Outlay	0	16,829	347,504	0	364,333
Refund of Property Taxes	209,500	0	0	0	209,500
Debt Service:					
Principal Retirement	6,521	0	0	0	6,521
Interest and Fiscal Charges	16,453	0	0	0	16,453
Total Expenditures	17,274,996	2,892,074	659,914	0	20,826,984
Excess of Revenues Over (Under) Expenditures	1,912,755	76,060	106,686	1,198	2,096,699
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	3,763	0	0	0	3,763
Operating Transfers In	22,138	101,752	0	0	123,890
Operating Transfers Out	(106,954)	(23,138)	0	0	(130,092)
Total Other Financing Sources (Uses)	(81,053)	78,614	0	0	(2,439)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,831,702	154,674	106,686	1,198	2,094,260
Fund Balances (Deficit) at Beginning of Year	(1,230,467)	308,980	256,329	41,213	(623,945)
Fund Balances (Deficit) at End of Year	\$601,235	\$463,654	\$363,015	\$42,411	\$1,470,315

See accompanying Notes to the General Purpose Financial Statements

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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, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$7,714,399	\$7,940,682	\$226,283	\$0	\$0	\$0
Intergovernmental	9,441,041	9,504,395	63,354	2,921,517	2,825,970	(95,547)
Interest	71,000	68,946	(2,054)	0	0	0
Tuition and Fees	55,345	70,495	15,150	25,885	32,614	6,729
Rent	400	390	(10)	0	0	0
Extracurricular Activities	8,540	8,540	0	243,018	252,624	9,606
Miscellaneous	333,206	428,223	95,017	9,564	15,452	5,888
Total Revenues	17,623,931	18,021,671	397,740	3,199,984	3,126,660	(73,324)
Expenditures:						
Current:						
Instruction:						
Regular	6,627,959	6,467,759	160,200	910,458	736,427	174,031
Special	1,609,178	1,538,718	70,460	1,082,835	1,010,138	72,697
Vocational	1,943,029	1,915,380	27,649	139,741	153,478	(13,737)
Adult/Continuing	0	0	0	46,882	46,569	313
Other	517,050	480,949	36,101	191,012	158,042	32,970
Support Services:						
Pupils	445,918	418,271	27,647	229,471	202,512	26,959
Instructional Staff	467,926	461,404	6,522	352,459	251,144	101,315
Board of Education	26,300	22,355	3,945	0	0	0
Administration	1,537,465	1,513,205	24,260	88,207	57,835	30,372
Fiscal	538,006	510,030	27,976	1,000	1,000	0
Operation and Maintenance of Plant	1,753,084	1,570,915	182,169	9,638	7,744	1,894
Pupil Transportation	2,281,934	2,169,983	111,951	40,377	35,942	4,435
Central	49,150	41,264	7,886	13,476	13,598	(122)
Non-Instructional Services	0	0	0	101,252	75,821	25,431
Extracurricular Activities	183,905	167,936	15,969	396,404	290,922	105,482
Capital Outlay	0	0	0	180,187	147,295	32,892
Debt Service:						
Principal Retirement	6,521	6,521	0	0	0	0
Interest and Fiscal Charges	5,315	5,315	0	0	0	0
Total Expenditures	17,992,740	17,290,005	702,735	3,783,399	3,188,467	594,932
Excess of Revenues Over (Under) Expenditures	(368,809)	731,666	1,100,475	(583,415)	(61,807)	521,608
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	3,760	3,763	3	0	0	0
Refund of Prior Year Receipts	0	(351,602)	(351,602)	(5,116)	(13,305)	(8,189)
Refund of Prior Year Expenditures	42,590	42,594	4	3,185	3,259	74
Other Financing Uses	(1,131)	0	1,131	0	0	0
Operating Transfers In	23,345	23,348	3	100,789	100,789	0
Operating Transfers Out	(110,000)	(105,991)	4,009	(1,000)	(23,138)	(22,138)
Advances In	2,190	2,394	204	0	23,379	23,379
Advances Out	(100,000)	(23,379)	76,621	(2,192)	(2,394)	(202)
Total Other Financing Sources (Uses)	(139,246)	(408,873)	(269,627)	95,666	88,590	(7,076)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(508,055)	322,793	830,848	(487,749)	26,783	514,532
Fund Balances at Beginning of Year	739,718	739,718	0	360,338	360,338	0
Prior Year Encumbrances Appropriated	448,678	448,678	0	147,148	147,148	0
Fund Balances at End of Year	\$680,341	\$1,511,189	\$830,848	\$19,737	\$534,269	\$514,532

See accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$146,138	\$146,138	\$0	\$646,400	\$649,812	\$3,412	\$0	\$0	\$0
681,000	681,000	0	64,770	106,767	41,997	0	0	0
0	0	0	0	0	0	1,000	1,198	198
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	11	11	1,000	0	(1,000)
<u>827,138</u>	<u>827,138</u>	<u>0</u>	<u>711,170</u>	<u>756,590</u>	<u>45,420</u>	<u>2,000</u>	<u>1,198</u>	<u>(802)</u>
0	0	0	205,180	198,596	6,584	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	25,000	25,000	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	24,250	17,484	6,766	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	158,381	158,380	1	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	666,462	663,229	3,233	0	0	0
817,210	816,000	1,210	0	0	0	0	0	0
<u>11,138</u>	<u>11,138</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>828,348</u>	<u>827,138</u>	<u>1,210</u>	<u>1,079,273</u>	<u>1,062,689</u>	<u>16,584</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(1,210)</u>	<u>0</u>	<u>1,210</u>	<u>(368,103)</u>	<u>(306,099)</u>	<u>62,004</u>	<u>2,000</u>	<u>1,198</u>	<u>(802)</u>
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	1,475	1,475	0	0	0	0
0	0	0	0	0	0	(43,213)	0	43,213
0	0	0	0	0	0	0	0	0
0	(1,210)	(1,210)	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>(1,210)</u>	<u>(1,210)</u>	<u>1,475</u>	<u>1,475</u>	<u>0</u>	<u>(43,213)</u>	<u>0</u>	<u>43,213</u>
(1,210)	(1,210)	0	(366,628)	(304,624)	62,004	(41,213)	1,198	(42,411)
1,210	1,210	0	75,910	75,910	0	41,213	41,213	0
0	0	0	291,458	291,458	0	0	0	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$740</u>	<u>\$62,744</u>	<u>\$62,004</u>	<u>\$0</u>	<u>\$42,411</u>	<u>(\$42,411)</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
 For the Fiscal Year Ended June 30, 2002
 (Continued)

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$8,506,937	\$8,736,632	\$229,695
Intergovernmental	13,108,328	13,118,132	9,804
Interest	72,000	70,144	(1,856)
Tuition and Fees	81,230	103,109	21,879
Rent	400	390	(10)
Extracurricular Activities	251,558	261,164	9,606
Miscellaneous	343,770	443,686	99,916
Total Revenues	22,364,223	22,733,257	369,034
Expenditures:			
Current:			
Instruction:			
Regular	7,743,597	7,402,782	340,815
Special	2,692,013	2,548,856	143,157
Vocational	2,082,770	2,068,858	13,912
Adult/Continuing	46,882	46,569	313
Other	708,062	638,991	69,071
Support Services:			
Pupils	675,389	620,783	54,606
Instructional Staff	845,385	737,548	107,837
Board of Education	26,300	22,355	3,945
Administration	1,625,672	1,571,040	54,632
Fiscal	563,256	528,514	34,742
Operation and Maintenance of Plant	1,762,722	1,578,659	184,063
Pupil Transportation	2,480,692	2,364,305	116,387
Central	62,626	54,862	7,764
Non-Instructional Services	101,252	75,821	25,431
Extracurricular Activities	580,309	458,858	121,451
Capital Outlay	846,649	810,524	36,125
Debt Service:			
Principal Retirement	823,731	822,521	1,210
Interest and Fiscal Charges	16,453	16,453	0
Total Expenditures	23,683,760	22,368,299	1,315,461
Excess of Revenues Over (Under) Expenditures	(1,319,537)	364,958	1,684,495
Other Financing Sources(Uses):			
Proceeds from Sale of Fixed Assets	3,760	3,763	3
Refund of Prior Year Receipts	(5,116)	(364,907)	(359,791)
Refund of Prior Year Expenditures	47,250	47,328	78
Other Financing Uses	(44,344)	0	44,344
Operating Transfers In	124,134	124,137	3
Operating Transfers Out	(111,000)	(130,339)	(19,339)
Advances In	2,190	25,773	23,583
Advances Out	(102,192)	(25,773)	76,419
Total Other Financing Sources (Uses)	(85,318)	(320,018)	(234,700)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,404,855)	44,940	1,449,795
Fund Balances at Beginning of Year	1,218,389	1,218,389	0
Prior Year Encumbrances Appropriated	887,284	887,284	0
Fund Balances at End of Year	\$700,818	\$2,150,613	\$1,449,795

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, 2002

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	\$330,411
Charges for Services	20,249
Other Revenue	<u>10,167</u>
Total Operating Revenues	<u>360,827</u>
<u>Operating Expenses:</u>	
Salaries	329,846
Fringe Benefits	95,975
Purchased Services	46,133
Materials and Supplies	77,164
Cost of Sales	357,327
Depreciation	57
Other	<u>2,069</u>
Total Operating Expenses	<u>908,571</u>
Operating Loss	<u>(547,744)</u>
<u>Non-Operating Revenues and Expenses:</u>	
Federal Donated Commodities	46,691
Interest	2,585
Loss on Disposal of Fixed Asset	(838)
Federal and State Subsidies	<u>471,426</u>
Total Non-Operating Revenues and Expenses	<u>519,864</u>
Net Loss Before Operating Transfer	(27,880)
Operating Transfers In	<u>6,202</u>
Net Loss	(21,678)
Retained Earnings (Deficit) at Beginning of Year	<u>(294,284)</u>
Retained Earnings (Deficit) at End of Year	<u>(315,962)</u>
Contributed Capital at Beginning and End of Year	<u>526,374</u>
Total Fund Equity at End of Year	<u><u>\$210,412</u></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, 2002

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Operating Revenues:</u>			
Sales	\$354,920	\$355,051	\$131
Charges for Services	17,545	20,249	2,704
Other Revenue	9,800	10,167	367
Total Operating Revenues	<u>382,265</u>	<u>385,467</u>	<u>3,202</u>
<u>Operating Expenses:</u>			
Salaries	294,537	278,559	15,978
Fringe Benefits	151,339	149,053	2,286
Purchased Services	59,058	60,933	(1,875)
Materials and Supplies	504,095	392,215	111,880
Capital Outlay	39,283	38,651	632
Other	2,717	2,069	648
Total Operating Expenses	<u>1,051,029</u>	<u>921,480</u>	<u>129,549</u>
Operating Loss	<u>(668,764)</u>	<u>(536,013)</u>	<u>132,751</u>
<u>Non-Operating Revenues:</u>			
Interest	0	2,585	2,585
Federal and State Subsidies	428,900	428,948	48
Total Non-Operating Revenues	<u>428,900</u>	<u>431,533</u>	<u>2,633</u>
Net Loss Before Transfers	<u>(239,864)</u>	<u>(104,480)</u>	<u>135,384</u>
<u>Other Financing Sources:</u>			
Operating Transfers In	<u>6,200</u>	<u>6,202</u>	<u>2</u>
Excess of Revenues Under Expenses and Transfers	<u>(233,664)</u>	<u>(98,278)</u>	<u>135,386</u>
Fund Equity at Beginning of Year	222,593	222,593	0
Prior Year Encumbrances Appropriated	<u>11,071</u>	<u>11,071</u>	<u>0</u>
Fund Equity at End of Year	<u>\$0</u>	<u>\$135,386</u>	<u>\$135,386</u>

See accompanying Notes to the General Purpose Financial Statements

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2002

	<u>Enterprise Funds</u>
Increase (Decrease) in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$355,051
Cash Received from Charges for Services	20,249
Other Operating Revenues	10,167
Cash Payments to Suppliers for Goods and Services	(450,897)
Cash Payments for Employee Services	(278,559)
Cash Payments for Employee Benefits	(149,053)
Cash Payments for Other Operating Expenses	(2,069)
Net Cash Used for Operating Activities	(495,111)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	428,948
Operating Transfers In	6,202
Net Cash Provided by Noncapital Financing Activities	435,150
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Interest	2,585
Payment for Capital Acquisitions	(38,651)
Net Cash Used for Capital and Related Financing Activities	(36,066)
Net Decrease in Cash and Cash Equivalents	(96,027)
Cash and Cash Equivalents at Beginning of Year	233,665
Cash and Cash Equivalents at End of Year	\$137,638
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Loss	(\$547,744)
<u>Adjustments to Reconcile Operating Loss to Net</u>	
<u>Cash Used for Operating Activities:</u>	
Depreciation	57
Donated Commodities Received During the Year	46,691
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	640
Decrease in Intergovernmental Receivable	24,000
Increase in Inventory Held for Resale	(105)
Increase in Materials and Supplies Inventory	(178)
Increase in Compensated Absences Payable	596
Decrease in Deferred Revenue	(2,868)
Decrease in Intergovernmental Payable	(11,186)
Decrease in Accounts Payable	(7,465)
Increase in Wages and Benefits	2,451
Total Adjustments	52,633
Net Cash Used for Operating Activities	(\$495,111)

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, 2002**

Note 1 – Description of the District and Reporting Entity

Description of the Entity

The 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 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 District's thirteen instructional/support facilities staffed by 117 non-certificated employees, 218 certificated full time teaching personnel and 23 administrative employees to provide services to 2,795 students and other community members.

The 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 District are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Switzerland of Ohio Local School District, this includes general operations, food service, and student related activities of the District.

Parochial School – Within the District boundaries, St. Sylvester's School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The activities of these State monies by the 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 District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or service performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organizations; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approved the budget, the issuance of debt or the levying of taxes for the organization. The District has no component units.

The following entities which perform activities within the District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the 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 District relationships and administer the provision of traditional village service. Council acts as the taxing and budgeting authority for these village services.

Townships located within District Township governments are separate bodies politic and corporate. A board of trustees and clerk are elected independent of any 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 District through donations of time and other resources. Although the 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, 2002**

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

Switzerland of Ohio Education Association The association is operated under Ohio Bargaining Law, which requires a separation of the bargaining unit and the District. The Association represents the eligible certificated employees of the District regarding personnel related matters. The 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 District was associated with one jointly governed organization and one group insurance purchasing pool during fiscal year 2002. These organizations are discussed in Note 18 and Note 19 to the general-purpose financial statements. These organizations are:

Jointly Governed Organization

Ohio Mid Eastern Regional Educational Service Center (OME-RESA)

Group Insurance Purchasing Pool

Ohio School Board Association Workers' Compensation Group Rating Program.

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 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 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 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 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 District was removed from fiscal emergency and the fiscal planning and supervision commission was dissolved on March 26, 2002.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

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 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 District's accounting policies are described below.

A. Basis of Presentation – Fund Accounting

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

General Fund

The general fund is the operating fund of the 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 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 or trust funds).

Proprietary Fund Type

Proprietary Funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following is the 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, 2002**

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 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 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 District, other than those accounted for in the proprietary or trust funds.

General Long Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or trust 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 (i.e. revenue) and decreases (i.e. 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.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 2 – Summary of Significant Accounting Policies (continued)

B. Measurement Focus and Basis of Accounting (continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of the end of the year, but which were levied to finance next fiscal year operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year are reported in the operating statement as an expense and the fair value of donated commodities are reported on the income statement as federally donated commodities revenue.

A. 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 fund-function level for the General Fund and fund level for all other non agency funds.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 2 – Summary of Significant Accounting Policies (continued)

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid. The District budgets for advances.

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.

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 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 District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate that was in effect at the time the final appropriation resolution was passed by the Board of Education.

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 expenditure for the General Fund and at the fund level for all other funds, which is the legal level 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 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-function-object appropriations for the General Fund and the total of any fund for all other funds, 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, 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. Expenditures plus encumbrances may not legally exceed appropriations at the legal level of control. 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.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 2 – Summary of Significant Accounting Policies (continued)

B. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2002, the District's investments were limited to an overnight repurchase sweep account and STAROhio. The nonparticipating investment contracts and repurchase agreements are reported at cost.

State Treasury Asset Reserve of Ohio (STAROhio) is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2002.

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 2002 amounted to \$68,631, which includes \$30,286 assigned from other District funds.

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 District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

C. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to reflect statutory restrictions on their use. 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 20 for the calculations of the year-end restricted asset balances and the corresponding fund balance reserves.

D. 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 expensed when used.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 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.

F. 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.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 2 – Summary of Significant Accounting Policies (continued)

F. Fixed Assets and Depreciation (continued)

The District maintains a capitalization threshold of one thousand dollars. The District has opted to include textbooks and library books as fixed assets. The District does not capitalize infrastructure as these assets are immovable and of value only to the District.

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.

G. Inter-fund 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 other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivable" and "interfund payables".

H. 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 District will compensate the employees for the benefits through paid time off or some other means. The 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 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.

I. 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.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 2 – Summary of Significant Accounting Policies (continued)

I. Accrued Liabilities and Long-Term Obligations (continued)

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 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.

J. Inter-fund 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.

K. Fund Balance Reserves

The 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.

L. 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 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. Capital contributions are now recorded as revenues and as increases in retained earnings based on new guidelines established by GASB 33, "Accounting and Reporting for Nonexchange Transactions." Contributed Capital did not change during fiscal year 2002.

M. Estimates

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

N. 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 principles. Neither is such data comparable to a consolidation. Interfund eliminations have both been made in the aggregation of this data.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 3 – Changes in Accounting Principle

For fiscal year ended 2002, the District increased the capitalization threshold for fixed assets from one hundred dollars to one thousand dollars. There was no effect on balances as previously stated due to the language in the new policy stating that the change is not retro-active.

Note 4 – Accountability and Compliance

Fund Deficits

At June 30, 2002, the following funds had deficit fund balances/retained earnings, which were created by the application of generally accepted accounting principles.

	<u>Fund Equity</u>
Special Revenue Funds:	
Local Professional Development Block Grant	\$ 5
EMIS	10
Title VI-B	4,730
Title I	17,600
Enterprise Fund:	
Lunchroom	349,765

Note 5 – Budgetary Basis of Accounting

While the 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 and Actual (Budget Basis), All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity – Budget and Actual (Budget Basis), 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 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.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 5 – Budgetary Basis of Accounting (continued)

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

**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	\$1,831,702	\$ 154,674	\$ -0-	\$ 106,686	\$ 1,198
Net Adjustment Revenue Accruals	(1,123,486)	161,785	827,138	(8,535)	
Perspective Difference: Allocation of Revenue for Debt Payments	1,210		(1,210)		
Net Adjustment Expenditure Accruals	65,701	(53,014)		(120,145)	
Debt Principal Payments	0		(816,000)		
Interest and Fiscal Charges	11,138		(11,138)		
Transfers - In		(963)			
Advances-In	2,394	23,379			
Transfers - Out	963				
Advances-Out	(23,379)	(2,394)			
Encumbrances	(443,450)	(256,684)		(282,630)	
Budget Basis	\$ 322,793	\$26,783	\$ (1,210)	\$ (304,624)	\$ 1,198

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

	Enterprise Fund
GAAP Basis	\$ (21,678)
Revenue Accruals	24,640
Operating Grant	(42,478)
Commodities	(46,691)
Expense Accruals	(9,876)
Encumbrances	(2,252)
Depreciation	57
Budget Basis	\$ (98,278)

Note 6 – Deposits and Investments

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or money market deposit accounts.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 6 – Deposits and Investments (continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of 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 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 (STAROhio); and
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 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.

During fiscal year 2002, the District's investments were limited to an overnight repurchase sweep account and STAROhio.

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."

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 6 – Deposits and Investments (continued)

Unrecorded Cash

At fiscal year end, the District had \$1,780 in unrecorded cash which is included on the balance sheet of the District as part of “cash and cash equivalents”.

Deposits

At year-end, the carrying amount of the District’s cash and deposits was \$(296,141) and the bank balance was \$90,034. All of the bank balance was covered by federal depository insurance.

Investments

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

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

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

The Districts’ investment in STAROhio, an investment pool operated by the Ohio State Treasurer is an unclassified investment since they are not evidenced by securities that exists in physical or book entry form.

	Category 1	Category 2	Category 3	Fair Value
Repurchase Agreement			\$ 411,193	\$ 411,193
STAROhio				3,235,908
Total			\$ 411,193	\$3,647,101

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	\$ 3,350,960	\$ -0-
Investments:		
Repurchase Agreements	(411,193)	411,193
STAROHIO	(3,235,908)	3,235,908
GASB Statement 3	\$ (296,141)	\$3,647,101

Note 7 – Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District’s fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 7 – Property Taxes (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second Half Collections		2001 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential/ Other Real Estate	\$ 181,082,635	57%	\$ 181,082,635	57%
Public Utility Personal	47,577,870	15%	47,577,870	15%
Tangible Personal Property	89,454,826	28%	89,454,826	28%
Total Assessed Valuation	318,115,331	100%	318,115,331	100%
Tax rate per \$1000 of assessed valuation	37.90		37.90	

The District receives property taxes from Monroe, Guernsey and Noble Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002 are available to finance fiscal year 2002 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, 2002 was \$546,759. \$515,996 was available to the General Fund and \$30,763 was available to the Permanent Improvement Capital Projects Fund.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 8 – Receivables

Receivables at June 30, 2002, 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:

General Fund:	
Foundation Adjustment	\$ 20,919
E-Rate	14,776
CAFS	18,988
Martha Holden Jennings Grant	<u>322</u>
Total General Fund	<u>55,005</u>
Special Revenue Fund:	
Title VI-R	18,971
Eisenhower	2,294
Drug Free Grant	2,035
Secondary Grant	19,053
Accreditation Grant	3,360
Adult Basic Education	22,809
Title VI-B	54,989
Workforce Incentive Grant	<u>11,710</u>
Total Special Revenue Fund	<u>135,221</u>
Enterprise Funds:	
Breakfast Reimbursement	9,917
Lunch Reimbursement	<u>32,561</u>
Total Enterprise Funds	<u>42,478</u>
Total Intergovernmental Receivables	<u>\$ 232,704</u>

Note 9 – Fixed Assets

A Summary of the enterprise funds' fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$ 526,547
Less: accumulated depreciation	(392,426)
Net Fixed Assets	\$ 134,121

A summary of the change in general fixed assets during fiscal year 2002 follows:

	Balance 07/01/01	Additions	Deductions	Balance 06/30/02
Land and Improvements	\$ 929,358	\$ -0-	\$ -0-	\$ 929,358
Buildings and Improvements	11,523,295	319,815	-0-	11,843,110
Furniture and Equipment	7,013,006	328,615	101,860	7,239,761
Vehicles	2,597,138	276,661	103,271	2,770,528
Textbooks and Library Books	1,335,059	-0-	415,174	919,885
Total General Fixed Assets	\$ 23,397,856	\$ 925,091	\$ 620,305	\$ 23,702,642

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 10 – Risk Management

1. Property and Liability

The 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 2002, the 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 Ohio School Plan, with a \$1,000,000 single occurrence limit and \$3,000,000 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 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating District is calculated as one experience and a common premium rate is applied to all 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 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 District contributes to the School Employees Retirement System (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund the 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 District's required contributions for pension obligation to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$135,462, \$107,168, and \$131,562 respectively; 68.7 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

\$42,492 representing the unpaid contribution for fiscal year 2002 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, 2002**

Note 11 – Defined Benefit Pension Plans (continued)

State Teachers Retirement System

The 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 District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2002, 2001 and 2000 were \$836,067, \$835,037 and \$520,380, respectively; 83.1 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

\$141,422 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

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, 2002, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 – Post-employment Benefits

The 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$396,032 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,722,000 and STRS had 102,132 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, 2002**

Note 12 – Post-employment 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$236,761.

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 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 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 through Aetna Insurance Company. 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 2002, the District's and the employees' premiums for medical/surgical benefits for the staff were \$718 and \$79 for family coverage and \$256 and \$29 for single coverage per employee per month, respectively. The premium for dental coverage was funded entirely by the District at \$47 and \$17 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, 2002**

Note 14 – Long-term Obligations

The changes in the District’s long-term obligations during fiscal year 2002 were as follows:

	Outstanding 06/30/01	Additions	Reductions	Outstanding 06/30/02
Compensated Absences	\$ 1,677,630	\$ 233,751	\$ 321,686	\$ 1,589,695
Capital Lease Payable	29,363	-0-	6,521	22,842
Tax Refund Payable	209,500	-0-	209,500	-0-
Special Termination Benefits	40,585	27,392	40,585	27,392
Long-term Pension Liability	142,900	133,839	142,900	133,839
Total Long-term Obligations	\$ 2,099,978	\$ 394,982	\$ 721,192	\$ 1,773,768

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.

The Tax Refund obligation has been fully retired as of June 30, 2002.

Note 15 – Short-term Obligations

Debt outstanding at June 30, 2002 consisted of the following:

Issue	Interest Rate	Maturity Date	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
Energy Conservation Notes	5.50%	12/01/03	\$ 270,000	\$ -0-	\$ 135,000	\$ 135,000
State Solvency Advancement	0.00%	06/30/02	681,000		681,000	-0-
Total			\$ 951,000	\$ -0-	\$ 816,000	\$ 135,000

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 District for which the full faith and credit of the District is pledged 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, 2002 follows:

Year Ending June 30	Principal	Interest	Total
2003	\$ 135,000	\$ 3,713	\$ 138,713

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 16 – Capital Leases – Lessee Disclosure

The District has capitalized leases for telephone equipment and a photocopier machine. 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. General fixed assets consisting of equipment and a photocopier machine have been capitalized in the general fixed assets account group in the amount of \$41,704. 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 2002 total \$6,521 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, 2002.

Fiscal Year Ending June 30	<u>GLTOAG</u>
2003	\$ 11,166
2004	11,166
2005	3,170
2006	<u>3,170</u>
Total	28,672
Less: Amount Representing Interest	<u>(5,830)</u>
Present Value of net Minimum Lease Payments	<u>\$ 22,842</u>

Note 17 – Segment Information for Enterprise Fund

The 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 District as of and for the fiscal year ended June 30, 2002.

	Food Service	Rotary	Adult Vocational	Total
Operating Revenues	\$ 331,848	\$ 20,249	\$ 8,730	\$ 360,827
Operating Expense Less Depreciation	824,255	35,646	48,613	908,514
Depreciation Expense	57	-0-	-0-	57
Operating Income (Loss)	(492,464)	(15,397)	(39,883)	(547,744)
Donated Commodities	46,691	-0-	-0-	46,691
Operating Grants	471,426	-0-	-0-	471,426
Investment Income	2,585	-0-	-0-	2,585
Loss on Disposal of Fixed Assets	(838)	-0-	-0-	(838)
Net Income (Loss)	27,400	(9,195)	(39,883)	(21,678)
Net Working Capital	92,418	12,144	14,064	118,626
Total Assets	286,620	13,942	21,823	322,385
Long-term Compensated Absences Payable	31,199	-0-	-0-	31,199
Long-term Intergovernmental Payable	11,136	-0-	-0-	11,136
Total Equity	176,610	12,144	21,658	210,412
Encumbrances at June 30, 2002	363	1,889	-0-	2,252

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 2002**

Note 18 – Jointly Governed Organization

The Mid-Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The Jefferson County Educational Service Center serves as fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. During fiscal year 2002, the District contracted with OME-RESA for an annual amount of \$94,488.

Note 19 – Insurance Purchasing Pool

The 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 Districts pay an enrollment fee to the GRP to cover the costs of administering the program. For fiscal year 2002, the District enrollment fee was \$3,837.

Note 20 – 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 a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

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

	<u>Budget Stabilization</u>	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance, June 30, 2001	\$108,196	\$ -0-	\$ -0-
Carryover of prior year qualifying Disbursements	-0-	(442,068)	-0-
Current Year Set-Aside Requirement	-0-	359,405	359,405
Qualifying offset	-0-	(358,031)	(358,031)
Qualifying disbursements	<u>-0-</u>	<u>(517,973)</u>	<u>(21,181)</u>
Total	<u>108,196</u>	<u>(958,667)</u>	<u>(19,807)</u>
Set-aside balance carried forward to Future fiscal years	<u>\$ 108,196</u>	<u>\$ (958,667)</u>	<u>\$ -0-</u>
Set-aside reserve balance as of June 30, 2002	<u>\$ 108,196</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**Switzerland of Ohio Local School District
 Monroe County, Ohio
 Notes to the General Purpose Financial Statements
 For the Year Ended June 30, 2002**

Note 20 – Set-Aside Calculations and Fund Reserves (continued)

The District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. Although the District has qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for capital improvements set-aside, this amount may not be used to reduce the set-aside requirement of future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$108,196.

Note 21 – Inter-fund Transactions

Inter-fund balances at June 30, 2002 consisted of the following individual fund receivables/payables:

Inter-fund Receivable/Payable:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 23,379	\$ -0-
Special Revenue Fund	<u>-0-</u>	<u>23,379</u>
Total	<u>\$ 23,379</u>	<u>\$23,379</u>

Due to/Due from Other Fund:

During the year, certain expenditures were paid out of the General Fund for the benefit of Special Revenue fund accounts. The Due to/Due from amount represents these payments and all were refunded to the general fund after year end.

Note 22 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Note 23 – Contingencies

A. Grants

The 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 District at June 30, 2002.

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**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Cash Receipts</u>	<u>Noncash Receipts</u>	<u>Cash Disbursements</u>	<u>Noncash Disbursements</u>
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Distribution Program	N/A	10.550	\$	\$ 43,922	\$	\$ 43,922
National School Breakfast Program	48652-05-PU-01 48652-05-PU-02	10.553 10.553	18,036 70,228		\$18,036 70,228	
Total National School Breakfast Program			88,264		88,264	
National School Lunch Program	48652-03-PU-01 48652-03-PU-02	10.555 10.555	52,797 253,938		52,797 253,938	
Total National School Lunch Program			306,735		306,735	
Total U.S. Department of Agriculture-Nutrition Cluster			394,999	43,922	394,999	43,922
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education - State Grant Program	48652-AB-S1-01 48652-AB-S1-02	84.002 84.002			8,404 20,299	
Total Adult Education - State Grant Program			20,299		28,703	
Educationally Deprived Children - Local Educational Agencies Title I	48652-C1-S1-01 48652-C1-S1-02	84.010 84.010	193,637 922,352		160,831 836,400	
Total Title I			1,115,989		997,231	
Education of the Handicapped	48652-6B-SF-01P 48652-6B-SF-02P	84.027 84.027	24,000 227,257		90,345 208,173	
Total Education of the Handicapped			251,257		298,518	
Vocational Education - Basic Grants to States	48652-20AO-01 48652-20-C1-01 48652-20-C1-02	84.048 84.048 84.048	19,040 24,758 34,497		0 24,758 35,396	
Total Vocational Education - Basic Grants			78,295		60,154	
Drug Free Schools and Communities Grant	48652-DR-S1-01 48652-DR-S1-02	84.186 84.186	4,897 9,270		4,938 5,005	
Total Drug Free Schools			14,167		9,943	
Continuous Improvement	48652-G2-S2-00 48652-G2-S9-01 48652-G2-S2-01	84.276 84.276 84.276	5,200 25,000		10,810 18,637 14,648	
Total Continuous Improvement			30,200		44,095	
Eisenhower Professional Development State Grant	48652-MS-S1-00 48652-MS-S1-01 48652-MS-S1-02	84.281 84.281 84.281		1,916 22,058	7,127 18,194 4,251	
Total Eisenhower Professional Development			23,974		29,572	
Innovative Programs, IASA Title VI	48652-C2-S1-00 48652-C2-S1-01 48652-C2-S1-02	84.298 84.298 84.298			1,399 3,963 16,787	
Total Title VI			18,927		22,149	
Class Size Reduction	48652-CR-S1-01 48652-CR-S1-02	84.340 84.340	48,674 139,438		59,629 80,186	
Total Class Size Reduction			188,112		139,815	
Assistive Tech	48652-AT-S1-02	84.352A	7,225		7,223	
Total U.S. Department of Education			1,748,445		1,637,403	
<u>U.S. Department of Agriculture</u>						
<i>Direct Program:</i>						
Rural Business Enterprise Grant	N/A	10.769	99,000		99,000	
Total U.S. Department of Agriculture			99,000		99,000	
<u>U.S. Department of Health and Human Services</u>						
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	80,465		80,465	
Total U.S. Department of Health and Human Services			80,465		80,465	
Total Federal Awards Receipts and Expenditures			\$ 2,322,909	\$ 43,922	\$ 2,211,867	\$ 43,922

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the 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 United States Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities 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.



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 general purpose financial statements of Switzerland of Ohio Local School District, Monroe County, Ohio (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 11, 2002.

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 the audit committee, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 11, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS 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 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 each of its major federal programs for the year ended June 30, 2002. The 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 District's compliance with those requirements.

In our opinion, the 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, 2002.

Internal Control over Compliance

The management of the 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 District's internal control over compliance with requirements that could have a direct and material effect on its 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 Major Federal Programs 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 the audit committee, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

December 11, 2002

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

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

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002
(Continued)

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

None.

3. FINDINGS FOR FEDERAL AWARDSS

None.



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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2003**