



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, the School District was placed in Fiscal Caution by the Ohio Department of Education (ODE) on July 31, 2010 based on the 5 year forecast. Note 20 to the financial statements indicates that a plan was presented to ODE to address the projected deficit. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on these financial statements.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

May 15, 2015

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**Switzerland of Ohio Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

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Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Switzerland of Ohio Local School District's (the School District) financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. The MD&A should be read in conjunction with the School District's basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$3,513,481.
- General revenues accounted for \$28,909,797 in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$6,216,529 or 18 percent of total revenues of \$35,126,326.
- Total assets of governmental activities decreased by \$1,872,502 and total liabilities and deferred inflows of resources decreased \$5,385,983.
- The School District had \$31,612,845 in expenses related to governmental activities; only \$6,216,529 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily intergovernmental revenues and property taxes) of \$28,909,797 were adequate to provide for these programs.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Switzerland of Ohio Local School District as a financial whole, an entire operating entity. The statements then proceed to present a detailed outline of specific financial activities and conditions.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column.

### **Government-Wide Financial Statements**

#### *Statement of Net Position and the Statement of Activities*

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2013-2014 fiscal year?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all *assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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These two statements report the School District's *net position* and *changes* in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors. In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities including instruction, support services, operation of non-instructional services (including food service operations), extracurricular activities, and interest expense.

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, and the Ohio School Facilities Commission (OSFC) Project Capital Projects Fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013:

**Switzerland of Ohio Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

Table 1  
Net Position

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$25,996,000	\$33,172,666	(\$7,176,666)
Capital Assets	<u>87,845,394</u>	<u>82,541,230</u>	<u>5,304,164</u>
Total Assets	<u>113,841,394</u>	<u>115,713,896</u>	<u>(1,872,502)</u>
<b>Liabilities</b>			
Long-Term Liabilities	35,061,277	36,019,762	(958,485)
Other Liabilities	<u>3,443,813</u>	<u>6,149,571</u>	<u>(2,705,758)</u>
Total Liabilities	<u>38,505,090</u>	<u>42,169,333</u>	<u>(3,664,243)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes not Levied to Finance			
Current Year Operations	<u>8,691,298</u>	<u>10,413,038</u>	<u>(1,721,740)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	53,423,787	52,196,082	1,227,705
Restricted	10,158,938	12,615,382	(2,456,444)
Unrestricted (Deficit)	<u>3,062,281</u>	<u>(1,679,939)</u>	<u>4,742,220</u>
<b>Total Net Position</b>	<u>\$66,645,006</u>	<u>\$63,131,525</u>	<u>\$3,513,481</u>

Total assets decreased \$1,872,502. Current and other assets decreased in the amount of \$7,176,666. The decrease primarily was the result of cash balances and intergovernmental revenues being converted into capital assets during fiscal year 2014. As construction progresses, the School District is spending cash it has on hand as well as the amount received from the State. This grant is part of the continued participation in the Ohio School Facilities Commission (OSFC) building project. Capital assets reflect an increase due to the current year capitalization of assets exceeding current year depreciation in the amount of \$4,117,952 and the net value capital asset disposals. Property taxes receivable decreased in the amount of \$1,378,658 due to the tax rate of the Bond Retirement Debt Service Fund being decreased to insure that the balance is not excessive as compared to the future debt service requirements.

In total, liabilities decreased by \$3,664,243. The decrease in long-term liabilities is a result of the School District making required debt service payments on outstanding bond and lease liabilities. Contracts payable decreased in the amount of \$1,719,624. These contracts are associated with the OSFC building project and reflect the timing of bills paid at year-end and also is an indication that the OSFC project is nearing completion. Accrued wages and benefits decreased in the amount of \$657,748 and is a result of the reduction in personnel through attrition.

By comparing assets and liabilities, one can see the overall position of the School District has increased as evidenced by the increase in net position in the amount of \$3,513,481. The biggest change is in unrestricted net position, which is directly related to the chief operating fund of the School District. The School District received an oil and gas signing bonus in the amount of \$1,185,449 during fiscal year 2014. Also, the increase in the General Fund ending balance (as explained on page 10), adds to the increase in unrestricted net position. In addition, as mentioned above, cash balances and a portion of intergovernmental receivables that were restricted to capital outlay are now being reflected as invested in capital assets, net of related debt.

**Switzerland of Ohio Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

Table 2 shows the changes in net position for fiscal year 2014, and comparisons to fiscal year 2013:

	<b>Table 2</b>		
	<b>Changes in Net Position</b>		
	<b>Governmental Activities</b>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$590,963	\$616,899	(\$25,936)
Operating Grants and Contributions	5,617,425	3,925,548	1,691,877
Capital Grants and Contributions	8,141	0	8,141
Total Program Revenues	<u>6,216,529</u>	<u>4,542,447</u>	<u>1,674,082</u>
General Revenues			
Property Taxes	12,860,573	11,941,353	919,220
Grants and Entitlements	14,630,077	15,378,568	(748,491)
Gifts and Donations	0	2,806	(2,806)
Investment Earnings	72,449	163,049	(90,600)
Miscellaneous and Rent - Oil and Gas	1,346,698	279,220	1,067,478
Total General Revenues	<u>28,909,797</u>	<u>27,764,996</u>	<u>1,144,801</u>
Total Revenues	<u>35,126,326</u>	<u>32,307,443</u>	<u>2,818,883</u>
<b>Program Expenses</b>			
Instruction			
Regular	12,906,606	14,313,586	(1,406,980)
Special	3,804,059	3,543,496	260,563
Vocational	1,515,745	2,234,381	(718,636)
Student Intervention	874	3,938	(3,064)
Support Services			
Pupils	992,184	874,056	118,128
Instructional Staff	809,630	696,218	113,412
Board of Education	25,512	34,035	(8,523)
Administration	2,066,023	2,219,378	(153,355)
Fiscal	938,962	931,836	7,126
Business	0	8,600	(8,600)
Operation and Maintenance of Plant	2,080,018	3,303,486	(1,223,468)
Pupil Transportation	2,976,194	2,925,283	50,911
Central	59,597	140,398	(80,801)
Operation of Non-Instructional Services	1,621,064	1,798,589	(177,525)
Extracurricular Activities	476,125	589,112	(112,987)
Interest	1,340,252	1,842,388	(502,136)
Total Expenses	<u>31,612,845</u>	<u>35,458,780</u>	<u>(3,845,935)</u>
<b>Change in Net Position</b>	<b>3,513,481</b>	<b>(3,151,337)</b>	<b>6,664,818</b>
Net Position Beginning of Year	<u>63,131,525</u>	<u>66,282,862</u>	<u>(3,151,337)</u>
Net Position End of Year	<u>\$66,645,006</u>	<u>\$63,131,525</u>	<u>\$3,513,481</u>

**Switzerland of Ohio Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

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The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 37 percent of governmental activities revenues for Switzerland of Ohio Local School District in fiscal year 2014. The remaining 63 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid. The increase in property taxes revenue in the amount of \$919,220 is due to efforts of the county in collecting delinquent taxes in the prior year. Even though property taxes receivable decreased, the delinquent portion of that receivable is considered revenue due to the ability to foreclose on past due taxes. See Note 6 for more information on property tax values and rates.

Overall, revenues increased in the amount of \$2,818,883. Both program revenues and general revenues reflect increases. Operating grants and contributions, the largest program revenue category, increased in the amount of \$1,691,877. A portion of this was due to recognizing the revenue associated with the new Straight A grant in the amount of \$698,074. In addition, according to the current foundation formula, special education funding, in the amount of \$886,609, is restricted as a program revenue as compared to the prior year when this source was considered a general revenue. General revenues increased in the amount of \$1,144,801 due in large part to the School District receiving an oil and gas signing bonus in the amount of \$1,185,449 in fiscal year 2014. The largest category of general revenue, unrestricted grants and entitlements, accounted for 42 percent of total governmental revenues. The decrease in this funding correlates to the increase in restricted special education funding as described above. The decrease in investment earnings in the amount of \$90,600 is the result of the decrease in money held on deposit for the OSFC school project. As construction progresses, cash on hand is spent which results in a lower balance to invest.

Enrollment plays a major role in the finances of the School District and enrollment has been declining over the past several years. A large portion of the decline in enrollment is due to open enrollment. The School District experienced a net loss in the amount of \$945,546 as a result of open enrollment during fiscal year 2014, which results in foundation dollars going to other school districts.

Overall, the School District's expenses decreased in the amount of \$3,845,935. The largest changes in expenses are reflected in the regular instruction and operation and maintenance of plant programs, which decreased \$1,406,980 and \$1,223,468, respectively. The decrease in regular instruction expenses is due to a decrease in the amount of unallocated loss on disposal of capital assets compared to the prior year. The decrease in operation and maintenance of plant expenses is the result of capital outlay exceeding current year depreciation.

As can be seen from Table 2, the change in net position reflects an increase in the amount of \$3,513,481 which is a combination of the changes in assets, liabilities, deferred inflows of resources, revenues, and expenses as discussed earlier.

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

**Switzerland of Ohio Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2014**  
**Unaudited**

Table 3  
Governmental Activities

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
<b>Program Expenses</b>				
Instruction				
Regular	\$12,906,606	\$11,577,794	\$14,313,586	\$13,832,430
Special	3,804,059	1,653,396	3,543,496	2,188,661
Vocational	1,515,745	1,177,526	2,234,381	1,799,561
Intervention	874	538	3,938	(417)
Support Services				
Pupils	992,184	846,145	874,056	845,408
Instructional Staff	809,630	291,844	696,218	358,917
Board of Education	25,512	25,512	34,035	34,035
Administration	2,066,023	2,062,188	2,219,378	2,215,857
Fiscal	938,962	938,962	931,836	931,836
Business	0	0	8,600	8,600
Operation and Maintenance of Plant	2,080,018	2,000,533	3,303,486	3,232,765
Pupil Transportation	2,976,194	2,916,689	2,925,283	2,851,785
Central	59,597	59,597	140,398	140,398
Operation of Non-Instructional Services	1,621,064	428,397	1,798,589	277,034
Extracurricular Activities	476,125	76,943	589,112	357,075
Interest	1,340,252	1,340,252	1,842,388	1,842,388
Total	<u>\$31,612,845</u>	<u>\$25,396,316</u>	<u>\$35,458,780</u>	<u>\$30,916,333</u>

The dependence upon tax revenues and unrestricted government subsidies for governmental activities is apparent. Approximately 80 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. In other words, the focus on the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. All governmental funds had total revenues of \$37,190,823 and expenditures in the amount of \$37,839,851. The net change in fund balance, including other financing sources and uses, for the year was most significant in the Ohio School Facilities Commission (OSFC) Project Capital Project Fund, a decrease in the amount of \$5,630,718 which is a direct result of the receipt of current year and prior years grant monies from the State and increases in capital outlay expenses. The General Fund's balance increased by \$3,478,484. The reason for this increase is twofold; the School District received an oil and gas signing bonus in the amount of \$1,185,449 and the School District's expenditures decreased by \$1,916,387. Decreases occurred in the regular and vocational instruction due to a decrease in the number of employees as the result of retirements and through attrition.

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

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***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The School District amended its General Fund throughout the year, but the amendments were not significant. The final budgeted revenue amounts were approximately four percent higher than original estimates. Final budgeted expenditures were less than three percent lower than original estimates.

The net change in fund balance was \$306,105 higher than the final estimate primarily due to conservative expenditure estimates.

The School District's General Fund ending unobligated fund balance was \$3,521,518 and was \$306,105 higher than the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the School District had \$87,845,394 invested in land, buildings and improvements, vehicles, and furniture and equipment in governmental activities. See Note 8 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2014, the School District had \$34,102,271 outstanding in various school improvement bonds, including premiums and accretion. The two separate school improvement bond issues consisted of Qualified School Construction Bonds (QSCBs), tax exempt bonds, capital appreciation bonds, and refunding bonds. In addition to bonded debt, the School District has capital lease obligations that it is retiring also. See Notes 14 and 15 for more detailed information of the School District's long-term debt.

**Economic Factors**

The Switzerland of Ohio Local School District ended fiscal year 2014 with a positive short-term cash flow which reflects the efforts of the Administration of the School District in trying to maintain fiscal accountability. There are some uncontrollable variables that will affect future revenues, which includes the elimination of the three year averaging for Average Daily Membership (ADM), State elimination for fees from rollback and homestead funds, and the net loss of students to other school districts through open enrollment. Based on these factors, the Board of Education and Administration of the School District must maintain careful financial planning and prudent fiscal management in order to maintain the financial stability of the School District.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lance Erlwein, Treasurer at Switzerland of Ohio Local School District, 304 Mill Street, Woodsfield, Ohio, 43793, or e-mail at [lance.erlwein@omeresanet.net](mailto:lance.erlwein@omeresanet.net).

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Switzerland of Ohio Local School District  
Statement of Net Position  
June 30, 2014

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,776,369
Cash and Cash Equivalents in Segregated Accounts	1,882,146
Prepaid Items	74,372
Accounts Receivable	42,877
Intergovernmental Receivable	1,856,121
Inventory Held for Resale	21,188
Materials and Supplies Inventory	2,264
Property Taxes Receivable	10,340,663
Nondepreciable Capital Assets	1,041,648
Depreciable Capital Assets, Net	86,803,746
Total Assets	113,841,394
<b>Liabilities</b>	
Matured Compensated Absences Payable	128,841
Matured Retirement Incentive Payable	122,818
Accounts Payable	319,278
Contracts Payable	80,329
Retainage Payable	472,971
Accrued Wages and Benefits Payable	1,619,413
Intergovernmental Payable	572,459
Accrued Interest Payable	127,704
Long-Term Liabilities:	
Due Within One Year	975,103
Due In More Than One Year	34,086,174
Total Liabilities	38,505,090
<b>Deferred Inflows of Resources</b>	
Property Taxes	8,691,298
<b>Net Position</b>	
Net Investment in Capital Assets	53,423,787
Restricted for:	
Debt Service	5,082,436
Capital Projects	2,665,188
Classroom Facilities Maintenance	846,859
Food Service Operations	122,859
Federal Programs	761,905
State Programs	589,792
Other Purposes	89,408
Unclaimed Monies	491
Unrestricted	3,062,281
Total Net Position	\$66,645,006

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues			Net Expense and Change in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$12,906,606	\$117,116	\$1,211,696	\$0	(\$11,577,794)
Special	3,804,059	0	2,150,663	0	(1,653,396)
Vocational	1,515,745	0	338,219	0	(1,177,526)
Student Intervention	874	0	336	0	(538)
Support Services:					
Pupils	992,184	0	146,039	0	(846,145)
Instructional Staff	809,630	0	517,786	0	(291,844)
Board of Education	25,512	0	0	0	(25,512)
Administration	2,066,023	0	3,835	0	(2,062,188)
Fiscal	938,962	0	0	0	(938,962)
Operation and Maintenance of Plant	2,080,018	7,763	63,581	8,141	(2,000,533)
Pupil Transportation	2,976,194	0	59,505	0	(2,916,689)
Central	59,597	0	0	0	(59,597)
Operation of Non-Instructional Services:					
Food Service Operations	1,548,764	142,516	984,801	0	(421,447)
Other Non-Instructional Services	72,300	0	65,350	0	(6,950)
Extracurricular Activities	476,125	323,568	75,614	0	(76,943)
Interest	1,340,252	0	0	0	(1,340,252)
<b>Total Governmental Activities</b>	<b>\$31,612,845</b>	<b>\$590,963</b>	<b>\$5,617,425</b>	<b>\$8,141</b>	<b>(25,396,316)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	10,370,682
Debt Service	2,310,214
Building Maintenance	179,677
Grants and Entitlements not Restricted to Specific Programs	14,630,077
Investment Earnings	72,449
Rent - Oil and Gas	1,185,449
Miscellaneous	161,249
<b>Total General Revenues</b>	<b>28,909,797</b>
 Change in Net Position	 3,513,481
 Net Position Beginning of Year	 63,131,525
 Net Position End of Year	 <b>\$66,645,006</b>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2014

	General	Bond Retirement	OSFC Project	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$3,971,539	\$5,034,108	\$0	\$2,770,231	\$11,775,878
Cash and Cash Equivalents in Segregated Accounts	0	0	1,260,416	621,730	1,882,146
Materials and Supplies Inventory	0	0	0	2,264	2,264
Inventory Held for Resale	0	0	0	21,188	21,188
Accounts Receivable	18,362	0	0	24,515	42,877
Interfund Receivable	204,755	0	0	0	204,755
Intergovernmental Receivable	117,409	0	376,022	1,362,690	1,856,121
Prepaid Items	69,078	0	0	5,294	74,372
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	491	0	0	0	491
Property Taxes Receivable	8,452,420	1,740,740	0	147,503	10,340,663
Total Assets	<u>\$12,834,054</u>	<u>\$6,774,848</u>	<u>\$1,636,438</u>	<u>\$4,955,415</u>	<u>\$26,200,755</u>
<b>Liabilities</b>					
Accounts Payable	\$194,271	\$0	\$23,387	\$101,620	\$319,278
Contracts Payable	0	0	79,943	386	80,329
Retainage Payable	0	0	472,971	0	472,971
Accrued Wages and Benefits Payable	1,475,919	0	0	143,494	1,619,413
Interfund Payable	0	0	0	204,755	204,755
Intergovernmental Payable	535,503	0	400	36,556	572,459
Matured Compensated Absences Payable	112,315	0	0	16,526	128,841
Matured Retirement Incentive Payable	106,292	0	0	16,526	122,818
Total Liabilities	<u>2,424,300</u>	<u>0</u>	<u>576,701</u>	<u>519,863</u>	<u>3,520,864</u>
<b>Deferred Inflows of Resources</b>					
Property Taxes	7,114,281	1,453,790	0	123,227	8,691,298
Unavailable Revenue	927,236	164,988	356,605	1,024,015	2,472,844
Total Deferred Inflows of Resources	<u>8,041,517</u>	<u>1,618,778</u>	<u>356,605</u>	<u>1,147,242</u>	<u>11,164,142</u>
<b>Fund Balances</b>					
Nonspendable:					
Inventories	0	0	0	2,264	2,264
Prepaid Items	69,078	0	0	5,294	74,372
Unclaimed Monies	491	0	0	0	491
Restricted for:					
Food Service Operations	0	0	0	108,301	108,301
Capital Improvements	0	0	703,132	1,028,364	1,731,496
Debt Service	0	5,156,070	0	0	5,156,070
Classroom Facilities Maintenance	0	0	0	830,889	830,889
State Grant Expenditures	0	0	0	20,986	20,986
Federal Grant Expenditures	0	0	0	385,638	385,638
Other Purposes	0	0	0	89,408	89,408
Committed to:					
Scholarships	0	0	0	43,032	43,032
Encumbrances	167,126	0	0	0	167,126
Capital Improvements	0	0	0	810,183	810,183
Assigned to:					
Purchases on Order	82,300	0	0	0	82,300
Other Purposes	52,751	0	0	0	52,751
Unassigned (Deficit)	1,996,491	0	0	(36,049)	1,960,442
Total Fund Balances	<u>2,368,237</u>	<u>5,156,070</u>	<u>703,132</u>	<u>3,288,310</u>	<u>11,515,749</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$12,834,054</u>	<u>\$6,774,848</u>	<u>\$1,636,438</u>	<u>\$4,955,415</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					87,845,394
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:					
Property Taxes				1,028,882	
Accounts Receivable				23,471	
Grants				1,420,491	2,472,844
Long-term liabilities and accrued interest and not due and payable in the current period and therefore are not reported in the funds:					
School Improvement Serial and Term Bonds				(33,173,666)	
Capital Appreciation Bonds				(97,469)	
Capital Appreciation Bonds Accretion				(164,671)	
Bond Premium				(666,465)	
Capital Leases				(17,838)	
Compensated Absences Payable				(941,168)	
Accrued Interest Payable				(127,704)	(35,188,981)
Net Position of Governmental Activities					<u>\$66,645,006</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	OSFC Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$10,051,779	\$2,312,341	\$0	\$175,737	\$12,539,857
Intergovernmental	15,667,121	275,678	3,151,723	3,442,335	22,536,857
Interest	25,276	26,809	14,819	5,545	72,449
Tuition and Fees	100,005	0	0	0	100,005
Extracurricular Activities	128,020	0	0	195,548	323,568
Rentals	7,763	0	0	0	7,763
Rent - Oil and Gas	1,185,449	0	0	0	1,185,449
Charges for Services	17,111	0	0	143,794	160,905
Gifts and Donations	4,000	0	0	98,721	102,721
Miscellaneous	141,373	1,821	7,635	10,420	161,249
Total Revenues	<u>27,327,897</u>	<u>2,616,649</u>	<u>3,174,177</u>	<u>4,072,100</u>	<u>37,190,823</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	9,507,397	0	0	421,157	9,928,554
Special	2,440,557	0	0	1,077,378	3,517,935
Vocational	1,496,003	0	0	36,329	1,532,332
Student Intervention Services	0	0	0	874	874
Support Services:					
Pupils	813,141	0	0	75,742	888,883
Instructional Staff	342,438	0	0	395,795	738,233
Board of Education	25,512	0	0	0	25,512
Administration	2,092,507	0	0	2,828	2,095,335
Fiscal	832,223	97,657	0	7,020	936,900
Operation and Maintenance of Plant	2,571,801	0	0	50,097	2,621,898
Pupil Transportation	2,423,202	0	0	4,378	2,427,580
Central	55,241	0	0	3,010	58,251
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	1,290,622	1,290,622
Other Non-Instructional Services	0	0	0	71,084	71,084
Extracurricular Activities	301,607	0	0	174,518	476,125
Capital Outlay	0	0	8,859,662	410,194	9,269,856
Debt Service:					
Principal Retirement	3,276	793,864	0	0	797,140
Interest on Capital Appreciation Bonds	0	67,470	0	0	67,470
Interest and Fiscal Charges	1,710	1,093,557	0	0	1,095,267
Total Expenditures	<u>22,906,615</u>	<u>2,052,548</u>	<u>8,859,662</u>	<u>4,021,026</u>	<u>37,839,851</u>
Excess of Revenues Over (Under) Expenditures	<u>4,421,282</u>	<u>564,101</u>	<u>(5,685,485)</u>	<u>51,074</u>	<u>(649,028)</u>
<b>Other Financing Sources (Use)</b>					
Transfers In	533	0	54,767	1,645,000	1,700,300
Proceeds from Sale of Capital Assets	38,418	0	0	0	38,418
Insurance Recoveries	3,251	0	0	0	3,251
Transfers Out	(985,000)	0	0	(715,300)	(1,700,300)
Total Other Financing Sources (Use)	<u>(942,798)</u>	<u>0</u>	<u>54,767</u>	<u>929,700</u>	<u>41,669</u>
Net Change in Fund Balances	3,478,484	564,101	(5,630,718)	980,774	(607,359)
Fund Balances (Deficit) Beginning of Year	<u>(1,110,247)</u>	<u>4,591,969</u>	<u>6,333,850</u>	<u>2,307,536</u>	<u>12,123,108</u>
Fund Balances End of Year	<u>\$2,368,237</u>	<u>\$5,156,070</u>	<u>\$703,132</u>	<u>\$3,288,310</u>	<u>\$11,515,749</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
 Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds (\$607,359)

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

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

Capital Asset Additions	11,756,188	
Current Year Depreciation	(4,117,952)	7,638,236

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

Proceeds from Sale of Capital Assets	(38,418)	
Insurance Recoveries	(3,251)	
Loss on Disposal of Capital Assets	(2,292,403)	(2,334,072)

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

Delinquent Property Taxes	320,716	
Intergovernmental	(2,383,935)	
Charges for Services	(1,278)	(2,064,497)

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

Capital Appreciation Bond Accretion	(203,870)	
Amortization of Bond Premium	36,197	
Accrued Interest	(77,312)	(244,985)

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

Bonds	793,864	
Capital Appreciation Bond Interest	67,470	
Capital Leases	3,276	864,610

Expenses reported in the statement of activities resulting from compensated absences payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 261,548

Change in Net Position of Governmental Activities \$3,513,481

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Revenues, Expenditures, and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$9,521,544	\$9,992,886	\$9,992,886	\$0
Intergovernmental	15,140,688	15,731,270	15,641,057	(90,213)
Interest	15,000	22,645	25,276	2,631
Tuition and Fees	117,519	99,455	100,005	550
Rentals	5,000	6,558	7,763	1,205
Rent - Oil and Gas	1,238,709	1,185,309	1,185,449	140
Extracurricular Activities	150,250	125,000	128,020	3,020
Gifts and Donations	0	0	4,000	4,000
Charges for Services	21,900	15,525	17,111	1,586
Miscellaneous	130,450	262,744	224,840	(37,904)
<b>Total Revenues</b>	<b>26,341,060</b>	<b>27,441,392</b>	<b>27,326,407</b>	<b>(114,985)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,602,231	9,608,676	9,686,997	(78,321)
Special	2,398,143	2,446,869	2,421,814	25,055
Vocational	1,861,379	1,633,787	1,635,459	(1,672)
Adult/Continuing	3,000	0	0	0
Support Services:				
Pupils	819,396	858,020	825,916	32,104
Instructional Staff	343,901	342,884	346,427	(3,543)
Board of Education	25,699	27,301	25,869	1,432
Administration	2,755,960	2,213,989	2,149,227	64,762
Fiscal	843,308	847,739	847,245	494
Operation and Maintenance of Plant	2,717,017	2,800,538	2,678,692	121,846
Pupil Transportation	2,807,447	2,815,291	2,670,066	145,225
Central	91,912	113,096	92,416	20,680
Extracurricular Activities	353,986	335,561	316,188	19,373
Capital Outlay	75,000	5,875	0	5,875
Debt Service:				
Principal Retirement	3,276	3,276	3,276	0
Interest and Fiscal Charges	1,710	1,710	1,710	0
<b>Total Expenditures</b>	<b>24,703,365</b>	<b>24,054,612</b>	<b>23,701,302</b>	<b>353,310</b>
<b>Excess of Revenues Over Expenditures</b>	<b>1,637,695</b>	<b>3,386,780</b>	<b>3,625,105</b>	<b>238,325</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	2,932	33,377	38,418	5,041
Insurance Recoveries	0	3,251	3,251	0
Advances In	251,397	251,397	247,109	(4,288)
Transfers In	0	3,459,894	533	(3,459,361)
Advances Out	(202,670)	(246,250)	(204,755)	41,495
Transfers Out	(975,419)	(4,469,893)	(985,000)	3,484,893
<b>Total Other Financing Sources (Uses)</b>	<b>(923,760)</b>	<b>(968,224)</b>	<b>(900,444)</b>	<b>67,780</b>
<b>Net Change in Fund Balance</b>	<b>713,935</b>	<b>2,418,556</b>	<b>2,724,661</b>	<b>306,105</b>
<b>Fund Balance Beginning of Year</b>	<b>584,166</b>	<b>584,166</b>	<b>584,166</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>212,691</b>	<b>212,691</b>	<b>212,691</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$1,510,792</b>	<b>\$3,215,413</b>	<b>\$3,521,518</b>	<b>\$306,105</b>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$0	\$90,247
Cash and Cash Equivalents in Segregated Accounts	188,401	0
Total Assets	188,401	\$90,247
<b>Liabilities</b>		
Undistributed Monies	0	\$649
Due to Students	0	89,598
Total Liabilities	0	\$90,247
<b>Net Position</b>		
Held In Trust for Scholarships	\$188,401	

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
<b>Additions</b>	
Interest	\$285
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	1,000
Change in Net Position	(715)
Net Position Beginning of Year	189,116
Net Position End of Year	\$188,401

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 1 - Description of the School District and Reporting Entity**

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

The School District is the largest in square miles in the state. It is located in Monroe County and portions of Noble and Belmont Counties. The Board of Education controls the School District's thirteen instructional/support facilities staffed by 126 classified employees, 167 certificated full-time teaching personnel/administrative employees who provide services to 2,526 students and other community members.

On July 31, 2010, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education based on the School District's 5 year forecast. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education designed to avoid a potential deficit in future fiscal years. The School District has submitted a plan to the Ohio Department of Education. See Note 20 for further details.

***Reporting Entity***

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

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific benefits to, or impose specific financial burden on, the primary government. No separate governmental units meet the criteria for inclusion as a component unit.

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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information concerning these organizations is presented in Note 16.

## **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

### ***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

***Fund Financial Statements*** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

### ***B. Fund Accounting***

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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

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

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

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

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

**Fiduciary Fund Types** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund is used to award a post-secondary scholarship to a student whose majors are preferred to be in the engineering, physical and biological sciences, medicine, or business fields. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### **C. Measurement Focus**

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

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities

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of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***D. Basis of Accounting***

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

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were

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levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District unavailable revenue includes delinquent property taxes, intergovernmental grants, and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds, except the state and local share of the School District's classroom facilities project and the private purpose trust monies are maintained in this account or temporarily are used to purchase short-term investments. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2014, the School District had no investments.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$25,276, of which \$8,473 is assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. Investments not purchased from the cash management pool are presented as investments in segregated accounts.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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.

***G. Inventory***

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

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***H. Capital Assets***

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

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

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

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

***I. Interfund Balances***

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

***J. Compensated Absences***

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

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

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***K. Accrued Liabilities and Long-term Obligations***

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

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

***L. Bond Premiums, Discounts, and Issuance Costs***

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

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

***M. Interfund Activity***

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

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

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

***N. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies not available for appropriation.

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***O. Fund Balance***

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

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

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

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

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education delegated that authority by State statute. State statute authorizes the School District’s Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

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***P. Net Position***

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

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

***Q. Extraordinary and Special Items***

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

***R. Estimates***

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

***S. Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board of Education throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from the prior fiscal year. The amounts reported as the final

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budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

**Note 3 - Accountability and Compliance**

**A. Accountability**

At June 30, 2014, the Title I Special Revenue Fund had a deficit fund balance in the amount of \$35,270. This deficit is due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

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

	Amount
Special Revenue Funds:	
Miscellaneous State Grants	\$9,554
Miscellaneous Local Grants	1,139
Classroom Facilities Maintenance	4,253
Bond Retirement Debt Service Fund	310
Permanent Improvement Capital Projects Fund	3,752

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

	Amount
Special Revenue Funds:	
IDEA Part B	\$9,114
Title I	197,542
Miscellaneous Federal Grants	186,052

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

**Note 4 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

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

Net Change in Fund Balance	
GAAP Basis	\$3,478,484
Net Adjustment for Revenue Accruals	(1,490)
Fiscal Year 2014 Unreported Cash	(8)
Fiscal Year 2013 Unreported Cash	8
Fiscal Year 2014 Prepaid Items	(69,078)
Fiscal Year 2013 Prepaid Items	28,986
Net Adjustment for Expenditure Accruals	(304,091)
Advances In	247,109
Advances Out	(204,755)
Encumbrances	(450,504)
Budget Basis	<u><u>\$2,724,661</u></u>

**Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of

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depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

### ***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end \$14,277,097 of the School District's bank balance of \$14,777,097, including the payroll account balance of \$242,321, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Monroe, Belmont, and Noble Counties. The County Auditors periodically advance to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources for property taxes not levied to finance current year operations.

The amount available as an advance, and recognized as revenue at June 30, 2014, was \$488,563 in the General Fund, \$9,958 in the Classroom Facilities Maintenance Special Revenue Fund, and \$121,962 in the Bond Retirement Debt Service Fund. At June 30, 2013, \$429,670 was available as an advance in the General Fund, \$9,694 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$158,753 was available in the Bond Retirement Debt Service Fund.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

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	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$261,829,290	67.43%	\$283,329,550	69.57%
Public Utility Personal	126,487,580	32.57%	123,954,000	30.43%
Total	<u>\$388,316,870</u>	<u>100.00%</u>	<u>\$407,283,550</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.59		\$41.30	

During fiscal year 2014, the assessed valuations for the Public Utility Personal decreased as a result of a court case decision concerning the valuation of a natural gas distribution pipeline and compressor station being constructed within the School District.

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

**Note 7 - Receivables**

Receivables at June 30, 2014, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and the classroom facilities grant, are expected to be received within one year. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable, in the amount of \$1,028,882, may not be collected within one year.

During fiscal year 2010, the School District was awarded \$53,010,672 for building construction and renovations under the State's "Classroom Facilities Program". During fiscal year 2012, an amendment to this grant was approved in the amount of \$703,048. Under this program, the School District entered into an agreement with the State of Ohio in which the State would pay for a portion of the estimated project costs. As part of the process, the School District maintains a fund into which a set amount of proceeds from a levy is receipted for facilities maintenance. As of the end of the fiscal year 2014, the School District had received \$53,337,698 of the monies awarded under this program. The remaining amount of \$376,022 is recorded as a receivable. \$19,417 of this amount was received in the available period and the rest is reported as unavailable revenue on the balance sheet.

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A summary of principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities:</b>	
Title I Grants	\$401,143
Title II-A Grant	146,852
Special Education Part B IDEA	17,782
Secondary Grant	30,294
Title VI-B	29,803
Straight A Grant	586,660
Ohio School Facilities Grant	376,022
SERS Overfunding	72,447
Food Service Breakfast and Lunch Reimbursements	137,880
Medicaid Reimbursements	26,612
Foundation Adjustments	25,626
Miscellaneous Receivables	5,000
Total	\$1,856,121

**Note 8 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>Nondepreciable Capital Assets</b>				
Land	\$883,249	\$331,028	(\$172,629)	\$1,041,648
Construction in Progress	19,403,560	9,459,195	(28,862,755)	0
Total Nondepreciable Assets	20,286,809	9,790,223	(29,035,384)	1,041,648
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	65,607,690	30,060,336	(2,170,212)	93,497,814
Vehicles	4,155,569	0	0	4,155,569
Furniture and Equipment	3,355,407	768,384	(1,818,048)	2,305,743
Total Capital Assets Being Depreciated	73,118,666	30,828,720	(3,988,260)	99,959,126
Less Accumulated Depreciation:				
Buildings and Improvements	(7,359,427)	(3,690,193)	1,360,856	(9,688,764)
Vehicles	(2,126,870)	(173,043)	0	(2,299,913)
Furniture and Equipment	(1,377,948)	(254,716)	465,961	(1,166,703)
Total Accumulated Depreciation	(10,864,245)	(4,117,952) *	1,826,817	(13,155,380)
Total Capital Assets Being Depreciated, Net	62,254,421	26,710,768	(2,161,443)	86,803,746
Governmental Activities Capital Assets, Net	\$82,541,230	\$36,500,991	(\$31,196,827)	\$87,845,394

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$894,690
Special	325,212
Vocational	177,176
Support Services:	
Pupils	100,901
Instructional Staff	51,679
Administration	68,116
Fiscal	0
Operation and Maintenance of Plant	1,689,516
Pupil Transportation	549,178
Operation of Non-Instructional Services	261,484
Total Governmental Depreciation	<u><u>\$4,117,952</u></u>

**Note 9 - Interfund Balances and Transfers**

**A. Interfund Balances**

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

<u>Non-Major Governmental</u>	<u>Amount</u>
Special Revenue Funds:	
Athletic and Music	\$581
Scholarship Funds	250
Miscellaneous Local Funds	4,983
Title I	137,367
Miscellaneous State Grants	5,105
Miscellaneous Federal Grants	56,469
Total	<u><u>\$204,755</u></u>

The above amounts interfund balances are due to time lags between the dates interfund goods and services were provided and when payments were made. All amounts are expected to be repaid within one year.

**B. Interfund Transfers**

Interfund transfers during fiscal year 2014 consisted of the following:

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Transfer from	Transfer to			Totals
	Major Funds		Other	
	General	Classroom Facilities	Nonmajor Governmental	
General Fund	\$0	\$0	\$985,000	\$985,000
Other Nonmajor Governmental	533	54,767	660,000	715,300
<b>Total All Funds</b>	<b>\$533</b>	<b>\$54,767</b>	<b>\$1,645,000</b>	<b>\$1,700,300</b>

Transfers were used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move immaterial amounts to the General Fund in order to close out obsolete funds, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, monies were transferred from the local to the state share of the classroom facilities program as part of a reconciliation process.

**Note 10 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014 the School District purchased the following coverage:

<u>Ohio Casualty</u>			
Fleet Insurance:			
Liability	\$1,000,000		any one accident
Auto Medical Payments	\$5,000		any one accident
Uninsured Motorists	\$1,000,000		any one accident
Physical Damage Comprehensive	actual cash value		\$250 deductible
Physical Damage Collision	actual cash value		\$250 deductible
Commercial Property	\$104,721,269		\$2,500 deductible
Equipment Breakdown	\$25,000 - \$100,000		
Commercial General Liability	\$1,000,000-\$2,000,000		each occurrence/aggregate
Violent Event Response Coverage	\$300,000		aggregate
<u>Westfield Insurance Company</u>			
Commercial Crime Coverage	\$2,500		\$500 deductible
Employee Theft	\$10,000		
Treasurer Bond	\$20,000		
<u>Ohio Farmers Insurance Company</u>			
Superintendent Bond	\$20,000		

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

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***B. Workers' Compensation***

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience as a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Note 11 - Other Employee Benefits**

***A. Compensated Absences***

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

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

***B. Insurance Benefits***

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

The School District has contracted with Anthem Blue Cross/Blue Shield Insurance Company to provide employee health and prescription benefits and with Delta Dental to provide dental coverage. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for health and prescription benefits. For fiscal year 2014, the School District paid ninety percent of the premiums for health and prescription and employees paid ten percent. The premium for dental coverage was funded entirely by the School District.

The School District has contracted with Vision Service Plan to provide employee vision benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for vision benefits. For fiscal year 2014, the School District paid ninety percent of the premium and the employees paid ten percent.

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***C. Retirement Incentive Payable***

The School District's negotiated agreement with the Switzerland of Ohio Education Association provides for payment of one-half of total accumulated sick leave to any certificated staff who is covered under their contract and retires in the first year that they become eligible to receive benefits from the State Teachers Retirement System. Any certificated staff covered under this contract who retires at any other time is eligible to receive one-fourth of their accumulated sick leave. At June 30, 2014, there was a liability of \$122,818 for this benefit.

**Note 12 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$344,083, \$369,140, and \$375,778, respectively. For fiscal year 2014, 71.58 percent has been contributed, with the remaining being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an

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investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,124,244 and \$185 for the fiscal year ended 2014, \$1,275,504 and \$111 for fiscal year ended 2013, and \$1,312,886 and \$753 for fiscal year ended June 30, 2012. For fiscal year 2014, 82.08 percent has been contributed for the DB plan and 80.85 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio For the DC Plan for fiscal year 2014 were \$16,971 made by the School District and \$13,334 made by the plan members. In addition, member contributions of \$145 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014 there were two employees who elected Social Security.

## **Note 13 - Postemployment Benefits**

### ***A. School Employees Retirement System***

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare

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Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$50,085 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$53,561, \$80,469, and \$50,111, respectively. For fiscal year 2014, 4.54 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$20,163, \$20,462, and \$21,172, respectively. For fiscal year 2014, 71.86 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

### ***B. State Teachers Retirement System***

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$87,800, \$98,116, and \$100,991, respectively. For fiscal year 2014, 80.85 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

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**Note 14 - Capital Leases - Lessee Disclosure**

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

The assets acquired by lease have been capitalized in the government-wide financial statements in the amount of \$21,915 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide statements. Capitalized lease assets are reflected net of accumulated depreciation in the amount of \$14,610 at June 30, 2014. Principal payments toward all capital leases during fiscal year 2014 totaled \$3,276.

Future minimum lease payments through 2019 for governmental activities are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$3,994	\$1,574	\$5,568
2016	4,400	1,169	5,569
2017	4,846	722	5,568
2018	4,030	268	4,298
2019	568	14	582
Totals	<u>\$17,838</u>	<u>\$3,747</u>	<u>\$21,585</u>

**Note 15 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

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	Outstanding			Amounts	
	06/30/13	Additions	Reductions	Outstanding 06/30/14	Due Within One Year
<b>Governmental Activities</b>					
2009 School Improvement Bonds:					
Qualified School Construction					
Bonds - 1.65% - \$10,000,000	\$9,075,000	\$0	(\$781,334)	\$8,293,666	\$611,725
Tax-Exempt Serial Bonds - 2.00% - 3.30% - \$30,000	20,000	0	(5,000)	15,000	5,000
Tax-Exempt Term Bonds - 4.00% - \$405,000	405,000	0	0	405,000	0
Tax Exempt Capital Appreciation Bonds - 4.25%-4.65% - \$64,999	64,999	0	0	64,999	0
Capital Appreciation Bonds Accretion - \$300,001 - 18.3726%	28,271	51,493	0	79,764	0
Bond Premium	123,967	0	(13,049)	110,918	0
<b>Total 2009 School Improvement Bonds</b>	<b>9,717,237</b>	<b>51,493</b>	<b>(799,383)</b>	<b>8,969,347</b>	<b>616,725</b>
2013 School Improvement Bonds:					
Current Interest Refunding Serial Bonds - 3.00% - 5.00% - \$13,135,000					
	13,135,000	0	0	13,135,000	0
Current Interest Refunding Term Bonds - 4.00% - \$11,325,000					
	11,325,000	0	0	11,325,000	0
Capital Appreciation Refunding Bonds - .80% - 3.10% - \$40,000					
	40,000	0	(7,530)	32,470	4,239
Capital Appreciation Bonds Accretion - \$575,000 - .80%-3.10%	0	152,377	(67,470)	84,907	55,761
Bond Premium	578,695	0	(23,148)	555,547	0
<b>Total 2013 School Improvement Bonds</b>	<b>25,078,695</b>	<b>152,377</b>	<b>(98,148)</b>	<b>25,132,924</b>	<b>60,000</b>
Capital Leases	21,114	0	(3,276)	17,838	3,994
Compensated Absences	1,202,716	284,198	(545,746)	941,168	294,384
<b>Total Long-Term Obligations</b>	<b>#####</b>	<b>\$488,068</b>	<b>(\$1,446,553)</b>	<b>\$35,061,277</b>	<b>\$975,103</b>

**School Improvement Bonds**

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	611,725	165,000	776,725
2016	781,941	165,000	946,941
2017	775,000	165,000	940,000
2018	770,000	165,000	935,000
2019	765,000	165,000	930,000
2020-2024	3,825,000	825,000	4,650,000
2025	765,000	82,500	847,500
Totals	<u>\$8,293,666</u>	<u>\$1,732,500</u>	<u>\$10,026,166</u>

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

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

During fiscal year 2010, the School District issued \$24,999,999 in School Improvement Bonds. The issue consisted of tax exempt bonds (serial, term, and capital appreciation) and Build America Bonds (BABs). The bonds were issued for the purpose of repaying outstanding bond anticipation notes issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, building demolition, other site improvements, and all appurtenances thereto. The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009. During fiscal year 2013, the Build America Bonds (BABs) portion, in the amount of \$24,500,000, was current refunded. The non-refunded portion of the total issuance has remaining premium in the amount of \$110,918 that will be amortized over the remaining life of the bonds. The amount amortized for 2014 was \$13,049.

The capital appreciation bonds for the 2009 issue mature December 1, 2017, 2018, 2019, and 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$365,000. The 2014 accretion was \$51,493 resulting in a total bond liability of \$144,763.

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

**Mandatory Redemption**

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

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

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

**Optional Redemption**

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$5,000	\$16,584	\$21,584
2016	5,000	16,441	21,441
2017	5,000	16,283	21,283
2023	405,000	24,400	429,400
Totals	<u>\$420,000</u>	<u>\$73,708</u>	<u>\$493,708</u>

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

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

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

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During fiscal year 2013, the School District refunded the 2009 Build America Bonds. The 2009 refunded bonds were originally issued for a twenty-five year period. On June 19, 2013, the School District issued \$24,500,000 of School Improvement Refunding Serial, Term, and Capital Appreciation bonds with varying interest rates. The refunding bonds were sold at a premium of \$578,695 that will be amortized over the term of the bonds. The amount amortized for fiscal year 2014 was \$23,148. Issuance costs associated with the refunding bond issue, in the amount of \$364,129, were expensed in the year of issuance. The refunding resulted in a current refunding of the 2009 Build America Serial and Term Bonds in the amount of \$24,500,000. The current refunding resulted in a difference between the net carrying amount of the debt and the acquisition price in the amount of \$492,657 which was expensed in the year of issuance. The School District completed its refunding to reduce its total debt service requirements over the subsequent twenty-five years by \$1,161,920.07 in order to obtain an economic gain of \$670,909.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$0	\$959,844	\$959,844
2016	0	959,844	959,844
2017	0	959,844	959,844
2018	0	959,844	959,844
2019	0	959,844	959,844
2020-2024	305,000	4,794,644	5,099,644
2025-2029	5,825,000	4,335,522	10,160,522
2030-2034	9,015,000	2,839,325	11,854,325
2035-2038	9,315,000	771,900	10,086,900
Totals	<u>\$24,460,000</u>	<u>\$17,540,611</u>	<u>\$42,000,611</u>

**Mandatory Sinking Fund Redemption**

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

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

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

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

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

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

**Optional Redemption**

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

The capital appreciation bonds for the 2013 issue mature December 1, 2014 through December 1, 2022. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$615,000. For fiscal year 2014, \$152,377 was accreted, and after the current year retirement of \$75,000, the remaining capital appreciation bond liability is \$117,377.

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

Fiscal Year Ending June 30,	Principal	Accretion	Total
2015	\$4,239	\$55,761	\$60,000
2016	4,120	55,880	60,000
2017	3,980	56,020	60,000
2018	3,832	56,168	60,000
2019	3,655	56,345	60,000
2020-2023	12,644	227,356	240,000
Totals	\$32,470	\$507,530	\$540,000

***Compensated Absences***

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service Special Revenue Fund.

**Note 16 - Jointly Governed Organizations and Insurance Purchasing Pool**

***A. Jointly Governed Organizations***

The **Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA)** was created as a separate 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 operates under the direction of a Board comprised of a representative from each participating school district. The Board exercises total control over the

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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operation of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2014, the amount paid to OME-RESA from the School District was \$122,085 for technology, internet access, financial accounting services, cooperative purchasing, and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Education Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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

The Council exercises total control over the operation of CORAS including budgeting, appropriating, contracting, and designating management. Each participants control is limited to its representation on the Board. The School District's membership fee was \$325 for fiscal year 2014. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Mike Shoemaker, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

The School District participates in the **Metropolitan Educational Council (MEC)**, a jointly governed organization. The organization is a consortium of school districts and related agencies in the greater central Ohio area. The primary mission of the Council is to contribute to educational services available to youth and adults by the cooperative action of the membership. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC consists of a delegate and alternate representative from each MEC member district who is either a board of education member or school district administrator. The Board exercises total control over the operating of MEC including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. Each year, the participating school districts pay a membership fee to MEC to cover the costs of administering the program. During fiscal year 2014, the School District made a payment of \$1,050 to MEC for a membership fee. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, Ohio 43219.

***B. Insurance Purchasing Pool***

The School District participates in the **Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)**, an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program. The School District enrollment fee for fiscal year 2014 was \$2,835.

**Note 17 - Contingencies**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

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

**Note 18 - Set-Asides**

The School District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Effective June 30, 2005, through Amended Substitute House Bill 66, school districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the Districts apply and receive approval from the Ohio Department of Education. Switzerland of Ohio Local School District remained in Fiscal Caution during fiscal year 2014 but did not request a waiver of the set-aside requirement for fiscal year 2014.

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

	Capital Improvements
Excess qualified expenditures from prior years	\$0
Current year set-aside requirement	410,779
Current year qualifying expenditures	(227,101)
Current year offsets	(842,142)
Total	(\$658,464)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside reserve balance as of June 30, 2014	\$0

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

Debt proceeds may be used to reduce the capital set-aside reserve. The amount used each fiscal year is limited to the amount of revenue collected to service the debt or the set-aside balance less any offsets and qualified expenditures. The 2009 school improvement bonds proceeds less the accumulated amount of debt proceeds used as an offset is carried forward to future fiscal years until consumed. The amount of debt proceeds that may be used as an offset in future fiscal years is \$23,626,520.

**Note 19 - Significant Commitments**

**A. Encumbrances**

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

Governmental Funds	
General Fund	\$450,504
OSFC Project Capital Projects Fund	42,980
Other Governmental Funds	223,055
 Total All Governmental Funds	 \$716,539

**B. Contractual Commitments**

As of June 30, 2014, the School District had contractual purchase commitments relating to the Classroom Facilities Project:

Contractor	Amounts Remaining on Contracts
W. G. Tomko, Incorporated	\$113,246
School Specialty, Incorporated	43,283
Tom Sexton and Associates	65,082
S. A. Comunale Company, Incorporated	6,287
Communications Consulting, Incorporated	1,000
Davison Electric Company, Incorporated	16,068
Netech Corporation	1,000
Grae-Con Construction, Incorporated	489,294
Horizon Incorporated	16,857
Martina Metal, Incorporated	26,102
Accent Electronics	55,668
B. Armstrong Electrical Services, Incorporated	6,164
	\$840,051

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014

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**Note 20 - Financial Position**

Based on the most recent Board-adopted five year forecast, the School District is projecting a deficit cash balance and a deficit unreserved fund balance in fiscal years 2018 and 2019 of the projection. The Board of Education has presented a plan to address this deficit to the Ohio Department of Education. The School District continues to be in a state of "Fiscal Caution".

**Note 21 - Subsequent Events**

On the November 4, 2014 election, the School District placed a one percent current expense income tax levy on the ballot, and the levy was not approved by voters.

On April 16, 2015, the Board approved the termination of grades 9-12 at Beallsville School and reassign and/or transfer of Beallsville 9-12 students effective for the 2015-2016 school year.

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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT  
MONROE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/ Pass-Through Grantor Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed-Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program - Food Donation	N/A	10.555	\$58,017	\$58,017
Cash Assistance:				
School Breakfast Program	048652-14	10.553	288,130	288,130
National School Lunch Program	048652-14	10.555	479,215	479,215
Cash Assistance Total			<u>767,345</u>	<u>767,345</u>
Total Child Nutrition Cluster			<u>825,362</u>	<u>825,362</u>
Distance Learning and Telemedicine Loans and Grants	0717-A16	10.855	<u>483,329</u>	<u>124,021</u>
Total U.S. Department of Agriculture			1,308,691	949,383
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed-Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies				
	048652-13	84.010	75,655	122,686
	048652-14		<u>562,176</u>	<u>586,314</u>
Title I Grants to Local Educational Agencies Subtotal			637,831	709,000
School Improvement Sub A, Title I				
	048652-13	84.010	131,628	133,619
	048652-14		<u>106,337</u>	<u>116,395</u>
School Improvement Sub A, Title I Subtotal			237,965	250,014
Total Title I Grants to Local Educational Agencies			<u>875,796</u>	<u>959,014</u>
Special Education Cluster (IDEA)				
Special Education, Grants to States (IDEA, Part B)				
	048652-13	84.027	29,200	43,955
	048652-14		<u>539,087</u>	<u>511,772</u>
			568,287	555,727
<i>Passed through East Central Ohio Educational Service Center:</i>				
Special Education - Preschool Grants (IDEA Preschool)				
	048652-14	84.173	<u>15,917</u>	<u>15,917</u>
Total Special Education Cluster (IDEA)			584,204	571,644
Career and Technical Education Basic Grants to States				
	048652-13	84.048	17,286	17,908
	048652-14		<u>12,974</u>	<u>16,026</u>
Total Career and Technical Education Basic Grants to States			30,260	33,934
Rural Education				
	048652-13	84.358	41,134	43,611
	048652-14		<u>19,675</u>	<u>20,085</u>
Total Rural Education			60,809	63,696
Improving Teacher Quality State Grants				
	048652-13	84.367	2,201	16,006
	048652-14		<u>109,785</u>	<u>119,797</u>
Total Improving Teacher Quality State Grants			111,986	135,803
Total U.S. Department of Education			<u>1,663,055</u>	<u>1,764,091</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$2,971,746</u></b>	<b><u>\$2,713,474</u></b>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is 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 FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 15, 2015, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on July 31, 2010.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control. We consider Finding 2014-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Finding***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 15, 2015



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Switzerland of Ohio Local School District's, Monroe County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Basis for Qualified Opinion on Special Education Cluster (IDEA) and Child Nutrition Cluster***

As described in Findings 2014-002 through 2014-006 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-002	10.553/10.555	Child Nutrition Cluster	Special Tests & Provisions – Verification of Free and Reduced Price Applications
2014-003	10.553/10.555	Child Nutrition Cluster	Special Tests and Provisions – Paid Lunch Equity
2014-004	10.553/10.555	Child Nutrition Cluster	Eligibility
2014-005	84.027/84.173	Special Education Cluster (IDEA)	Allowable Costs/Cost Principles
2014-006	84.027/84.173	Special Education Cluster (IDEA)	Cash Management

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

***Qualified Opinion on Special Education Cluster (IDEA) and Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA) and Child Nutrition Cluster* paragraph, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster (IDEA) and Child Nutrition Cluster for the year ended June 30, 2014.

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

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2014-002, 2014-005, and 2014-006 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2014-003 and 2014-004 to be significant deficiencies.

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 15, 2015

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	Yes
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b> <ul style="list-style-type: none"> <li>• Child Nutrition Cluster – Unmodified except Special Tests and Provisions-Verification of Free and Reduced Price Applications, Special Tests and Provisions-Paid Lunch Equity and Eligibility were qualified.</li> <li>• Title I Grants to Local Educational Agencies – Unmodified</li> <li>• Special Education Cluster (IDEA) – Unmodified except Allowable Costs/Cost Principles and Cash Management were qualified.</li> </ul>	
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Child Nutrition Cluster, CFDA #10.553 and #10.555</li> <li>• Title I Grants to Local Educational Agencies, CFDA #84.010</li> <li>• Special Education Cluster (IDEA), CFDA #84.027 and #84.173</li> </ul>	
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT  
MONROE COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)

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

FINDING NUMBER 2014-001

**Significant Deficiency**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following assertion is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

**Presentation and disclosure:** That financial statement elements are accurately reported and appropriate disclosures are made as required by generally accepted accounting principles, or as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles.

During 2014, the School District had retainage payable amounts for the classroom facilities project.

During the conversion of the financial statements in accordance with generally accepted accounting principles (GAAP), the retainage payable amount was overstated by \$367,081 in the OSFC Project major fund.

The adjustment, with which management agrees, was posted to the accounting records and is reflected in the accompanying financial statements.

The School District should establish procedures to help ensure transactions are accurately reported on the GAAP financial statements.

**Officials' Response:** When attempting to determine total retainage payable for Local Government Services, the total contracts outstanding was inadvertently used, as opposed to the true retainage amounts. The OFSC project is winding down and all retainage has been paid and properly recorded.

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

<b>Finding Number</b>	2014-002
<b>CFDA Title and Number</b>	Child Nutrition Cluster, CFDA #10.553 and #10.555
<b>Federal Award Number / Year</b>	2013/2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Special Tests and Provisions – Verification of Free and Reduced Price Applications**

7 C.F.R. Section 245.6a (c)(1) states the local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year.

7 C.F.R. Section 245.6a (e)(1)(i) states prior to conducting any other verification activity, an individual, other than the individual who made the initial eligibility determination, shall review for accuracy each approved application selected for verification to ensure that the initial determination was correct. If the initial determination was incorrect the local educational agency must immediately notify the household and change the eligibility status.

7 C.F.R. Section 245.6a (f)(1)(2) states, in part, households selected for verification shall be provided written notice that their applications were selected for verification and that they are required, by such date as determined by the local educational agency, to submit the requested information to verify eligibility for free or reduced price meals. These households shall be advised of the type or types of information and/or documents acceptable to the school. The documentation must indicate the source, amount and frequency of all income and can be for any point in time between the month prior to application for school meal benefits and the time the household is requested to provide income documentation.

Of the 14 applications selected for verification, 2 applications did not have documentation for the proper period (i.e. 2013 W-2's) and 2 applications did not have enough supporting documentation to determine the correct eligibility status. In addition, there was no evidence that eligibility status was changed in the School District's system after the information was reviewed by the School District.

The School District should develop internal controls procedures to ensure only those students who meet the eligibility criteria receive free or reduced price meals. In addition, the School District should properly report the results of the verification process in the School District's system.

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

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2014-003
<b>CFDA Title and Number</b>	Child Nutrition Cluster, CFDA #10.553 and #10.555
<b>Federal Award Number / Year</b>	2013/2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Significant Deficiency - Special Tests and Provisions – Paid Lunch Equity**

7. C.F.R. Section 210.14(e) states that for each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches. Each school food authority shall:

- Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference).
- Compare the average price of a paid lunch to the difference between reimbursement rates.

When the average paid lunch price from the prior school year is equal to or greater than the difference in reimbursement rates, the school food authority shall establish an average paid lunch price for the current school year that is not less than the difference.

When the average price from the prior school year is lower than the difference in reimbursement rates, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:

- 2 percent; and
- The percentage change in the Consumers Price Index for All Urban Consumers.

We noted the School District did not perform the Paid Lunch Equity Calculation. The School District's average paid lunch price for fiscal year 2014 was \$2.50. This was lower than \$2.55, which was the difference in the reimbursement rates.

The School District should perform the paid lunch equity calculation and increase the paid lunch rates based on the results of the calculation, if applicable.

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

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2014-004
<b>CFDA Title and Number</b>	Child Nutrition Cluster, CFDA #10.553 and #10.555
<b>Federal Award Number / Year</b>	2013/2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Significant Deficiency – Eligibility**

7 C.F.R. Section 245.6(c)(1) states that except as otherwise specified in paragraph (c)(3) of this section, eligibility for free or reduced price meals, as determined through an approved application or by direct certification, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year.

7 C.F.R. Section 245.6(c)(4) states that the local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in section 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in section 245.2, the children in that household must be approved for free or reduced price benefits, as applicable.

7 C.F.R. Section 245.6(c)(5)(i) states that when a household submits an application containing the required SNAP, FDPIR or TANF documentation, as defined under *Documentation* in section 245.2, all children in that household shall be categorically eligible for free meals or free milk. Additionally, when the local educational agency obtains confirmation of eligibility for these programs through direct certification, all children who are identified as members of a *Family*, as defined in section 245.2, shall be categorically eligible for free meals or milk.

Of the 25 applications tested for eligibility, one student's application indicated "free", however this student should have been a "reduced" status based on the application's income.

Applications should be signed by the applicable building principal to indicate their review and approval. Of the applications tested, 3% were not signed and approved by the building principal.

The School District should ensure that those receiving free and reduced benefits have a valid application on file, income is calculated properly, and the correct benefits are given to the student. The School District should also have all applications signed and approved by the building principal.

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

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2014-005
<b>CFDA Title and Number</b>	Special Education Cluster (IDEA), CFDA #84.027 and CFDA 84.173
<b>Federal Award Number / Year</b>	2013/2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Allowable Costs and Cost Principles**

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

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

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

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

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

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

The School District did not provide single funded certifications for the second half of fiscal year 2014 for 60% of the employees tested for the Special Education Grant.

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

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

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

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2014-006
<b>CFDA Title and Number</b>	Special Education Cluster (IDEA), CFDA #84.027 and CFDA #84.173
<b>Federal Award Number / Year</b>	2013/2014
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance and Material Weakness – Cash Management**

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

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

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

During May 2014, the School District reallocated salaries in the amount of \$63,445 from the Special Education Fund to the General Fund which resulted in a fund balance in the Special Education Grant Fund at May 31, 2014 of \$48,438 and a fund balance at June 30, 2014 of \$27,314.

The School District Treasurer should review the process for requesting federal dollars to ensure the funds are spent for the period in which requested.

**Officials' Response:** See the Corrective Action Plan on page 70 for response.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code § 5705.41(B), expenditures exceeded appropriations in the Debt Service Fund.	No	Not Corrected; Reissued within management letter.
2013-002	2 C.F.R. Part 225, Appendix B, Section 8(h)(3) regarding not having single funded certificates for employees paid from federal grants.	No	Not Corrected; Reissued as Finding No. 2014-005.
2013-003	34 C.F.R. 80.21(c), drawdowns were not spent within the period of time for which cash was requested.	No	Not Corrected; Reissued as Finding No. 2014-006.
2013-004	34 C.F.R. Part 300, Subpart D, Section 300.303(a) a re-evaluation was not performed once every three years on children with disabilities.	N/A	No longer a requirement to be tested at the entity level.
2013-005	7 C.F.R. 201.7(c) regarding reporting of claims for reimbursement for meals served.	Yes	N/A.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-002	The Treasurer and Superintendent are now aware that this is an issue. We addressed this section with all our principals and administrative staff members. Our plan is to continue the discussion with the Cafeteria Director, Principals & Secretaries to ensure 100% compliance moving forward. This will be a discussion item at all monthly administrative meetings from now until the start of the 2015-16 school year.	June 30, 2015	Tina Hogue, Food Service Director
2014-003	The Cafeteria Director will now perform the Paid Lunch Equity Calculation moving forward. Additionally, we are increasing our lunch prices to \$2.75 next school year.	June 30, 2015	Tina Hogue, Food Service Director
2014-004	The Treasurer and Superintendent are now aware that this is an issue. We addressed this section with all of our principals and administrative staff members. Our plan is to continue the discussion with the Cafeteria Director, Principals & Secretaries to ensure 100% compliance moving forward. This will be a discussion item at all monthly administrative meetings from now until the start of the 2015-16 school year.	June 30, 2015	Tina Hogue, Food Service Director
2014-005	The District experienced an unexpected resignation by our Special Education Director in FY14. The Special Education Department went without a Director or Secretary during the time the single funded certifications are typically completed. The District now has a full time Special Education Director and Secretary. They are aware of the single funded certificate requirements and our expectation is 100% compliance moving forward.	June 30, 2015	Lance Erlwein, Treasurer

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014  
(Continued)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-006	<p>At the time, we did not have sufficient 516 funds available to cover salary expenditures for all the 516 employees that the former special education director had listed in her budget. Her CCIP budget for 100 expenditures did not cover all her special education salary expenditures so we performed an account modification to move their salaries into general fund for the remaining month of the FY14 fiscal year. At the same time, the former special education director had a surplus in her 400 and 500 object codes in her CCIP budget. She planned to expend those funds before year end but experienced some personal and professional issues during that time and she did not expend those 400/500 funds before she left her position. This left us with a positive cash balance that we did not expect to have. Looking back, we would have reallocated those 400 and 500 funds into 100 salaries through a CCIP budget revision as opposed to making account modifications.</p> <p>We have a new special education director who has a better handle on the special education budget and we do not foresee the problems we encountered during this time period.</p>	June 30, 2015	Lance Erlwein, Treasurer



# Dave Yost • Auditor of State

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  
JUNE 2, 2015