

**SWITZERLAND OF OHIO  
LOCAL SCHOOL DISTRICT**

**MONROE COUNTY, OHIO**

**AUDIT REPORT**

**For the Fiscal Year Ended June 30, 2015**







# Dave Yost • Auditor of State

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

We have reviewed the Independent Auditor's Report of the Switzerland of Ohio Local School District, Monroe County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

April 26, 2016

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MONROE COUNTY  
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**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 District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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 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 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 opinion.

***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, 2015, and the respective changes in financial position and the budgetary comparisons 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 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding these matters.

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

**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*, and schedules of net pension liabilities and pension contributions 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 District's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures 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 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 the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the 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 January 21, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***  
January 21, 2016

**Switzerland of Ohio Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
**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 financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- In total, net position of governmental activities increased \$1,665,200.
- General revenues accounted for \$28,206,231 in revenue or 84 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,508,823 or 16 percent of total revenues of \$33,715,054.
- Total assets and deferred outflows of resources decreased by \$2,337,516 and total liabilities and deferred inflows of resources decreased \$4,002,716.
- The School District had \$32,049,854 in expenses related to governmental activities; only \$5,508,823 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 \$28,206,231 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 2014-2015 fiscal year?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all *assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and *changes* in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many

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**Management's Discussion and Analysis**  
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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 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

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

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

**Reporting the District's Fiduciary Responsibilities**

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

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014:

**Switzerland of Ohio Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
**Unaudited**

(Table 1)  
Net Position

	Governmental Activities		
	2015	2014	Change
<b>Assets</b>			
Current and Other Assets	\$25,148,870	\$25,996,000	(\$847,130)
Capital Assets, Net	86,015,255	87,845,394	(1,830,139)
<i>Total Assets</i>	<u>111,164,125</u>	<u>113,841,394</u>	<u>(2,677,269)</u>
<b>Deferred Outflows of Resources</b>			
Pension	1,817,587	1,477,834	339,753
<b>Liabilities</b>			
Current and Other Liabilities	2,740,055	3,443,813	(703,758)
Long-Term Liabilities			
Due Within One Year	1,028,707	975,103	53,604
Due in More Than One Year:			
Net Pension Liability	25,504,325	34,689,748	(9,185,423)
Other Amounts Due in More Than One Year	33,333,861	34,086,174	(752,313)
<i>Total Liabilities</i>	<u>62,606,948</u>	<u>73,194,838</u>	<u>(10,587,890)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	7,159,801	8,691,298	(1,531,497)
Pension	8,116,671	0	8,116,671
<i>Total Deferred Inflows of Resources</i>	<u>15,276,472</u>	<u>8,691,298</u>	<u>6,585,174</u>
<b>Net Position</b>			
Net Investment in Capital Assets	52,577,533	53,423,787	(846,254)
Restricted	8,308,230	10,158,938	(1,850,708)
Unrestricted (Deficit)	(25,787,471)	(30,149,633)	4,362,162
<i>Total Net Position</i>	<u>\$35,098,292</u>	<u>\$33,433,092</u>	<u>\$1,665,200</u>

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

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GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State Statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$66,645,006 to \$33,433,092.

Total assets decreased \$2,677,269. Current and other assets decreased in the amount of \$847,130. Intergovernmental receivables decreased in the amount of \$1,150,739 as the result of the completion of the State share of the Ohio School Facilities Commission (OSFC) building project and completion of Phase I of the Straight A grant program. In addition, property taxes receivable decreased by \$1,103,320 mainly due to the collection of delinquent property taxes as compared to the prior year. Offsetting these decreases was an increase in cash and cash equivalents in the amount of \$1,406,048. The School District's cash and cash equivalents includes the signing bonus payments received as a result of signing oil and gas leases in prior years. Capital assets reflect a decrease due to the current year depreciation exceeding capitalization of assets in the amount of \$1,830,139.

In total, liabilities decreased by \$10,587,890. Current and other liabilities decreased in the amount of \$703,758 mostly resulting from decreases in accounts, contracts, and retainage payables associated with the OSFC building project as it nears completion. The decrease in the net pension liability is the result of the decrease in the School District's proportionate share of this liability in addition to the overall decrease in the State wide liability. The decrease in other amounts due in more than one year is a result of the School District making required debt service payments on outstanding bond and lease liabilities.

By comparing assets, deferred outflows of resources, liabilities, and deferred inflows of resources, one can see the overall position of the School District has increased as evidenced by the increase in net position in the amount of \$1,665,200. The biggest change is in unrestricted net position, which is directly related to decrease

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in pension related items. Also, the increase in the General Fund ending balance (as explained on page 11), adds to the increase in unrestricted net position. As mentioned above, the decrease in intergovernmental receivables has resulted in the decrease in restricted net position. In addition, as explained earlier, the changes in the book value of capital assets, along with the retirement of long-term related debt, results in the decrease in the net investment in capital assets in the amount of \$846,254.

Table 2 shows the changes in net position for fiscal year 2015, and comparisons to fiscal year 2014:

**Table 2**  
**Changes in Net Position**

	Governmental Activities		
	2015	2014	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$1,028,965	\$590,963	\$438,002
Operating Grants, Contributions, and Interest	4,479,858	5,617,425	(1,137,567)
Capital Grants and Contributions	0	8,141	(8,141)
Total Program Revenues	<u>5,508,823</u>	<u>6,216,529</u>	<u>(707,706)</u>
General Revenues			
Property Taxes	13,144,943	12,860,573	284,370
Grants and Entitlements	14,691,799	14,630,077	61,722
Investment Earnings	119,180	72,449	46,731
Miscellaneous and Other Revenues	250,309	1,346,698	(1,096,389)
Total General Revenues	<u>28,206,231</u>	<u>28,909,797</u>	<u>(703,566)</u>
Total Revenues	<u>33,715,054</u>	<u>35,126,326</u>	<u>(1,411,272)</u>
<b>Program Expenses</b>			
Instruction			
Regular	10,658,249	12,906,606	(2,248,357)
Special	3,795,559	3,804,059	(8,500)
Vocational	1,348,211	1,515,745	(167,534)
Intervention	22,774	874	21,900
Support Services			
Pupils	1,055,226	992,184	63,042
Instructional Staff	1,023,011	809,630	213,381
Board of Education	22,442	25,512	(3,070)
Administration	2,496,887	2,066,023	430,864
Fiscal	1,015,638	938,962	76,676
Operation and Maintenance of Plant	3,440,633	2,080,018	1,360,615
Pupil Transportation	3,733,316	2,976,194	757,122
Central	75,680	59,597	16,083
Operation of Non-Instructional Services	1,613,419	1,621,064	(7,645)
Extracurricular Activities	533,479	476,125	57,354
Interest	1,215,330	1,340,252	(124,922)
Total Expenses	<u>32,049,854</u>	<u>31,612,845</u>	<u>437,009</u>
<b>Change in Net Position</b>	1,665,200	3,513,481	(1,848,281)
Net Position Beginning of Year	<u>33,433,092</u>	N/A	
Net Position End of Year	<u>\$35,098,292</u>	<u>\$33,433,092</u>	<u>\$1,665,200</u>

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,477,834 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$169,158. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$32,049,854
Pension expense under GASB 68	(169,158)
2015 contractually required contribution	<u>1,577,663</u>
Adjusted 2015 program expenses	33,458,359
Total 2014 program expenses under GASB 27	<u>31,612,845</u>
Increase in program expenses not related to pension	<u><u>\$1,845,514</u></u>

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 39 percent of governmental activities revenues for Switzerland of Ohio Local School District in fiscal year 2015. The remaining 61 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 \$284,370 is due to efforts of the county in collecting delinquent taxes. 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 7 for more information on property tax values and rates.

Overall, revenues decreased in the amount of \$1,411,272 as a result of decreases in both program and general revenues. Operating grants, contributions, and interest, the largest program revenue category, decreased in the amount of \$1,137,567. A portion of the decrease was due to recognizing the revenue associated with the new Straight A grant in the prior year. In addition, State revenue associated with the OSFC building project has ceased due to the project nearing completion. General revenues decreased in the amount of \$703,566 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 44 percent of total governmental revenues. This funding remained stable with little change from the prior year.

Enrollment plays a major role in the finances of the School District and enrollment has been declining over the past several years. A large portion of the decline in enrollment is due to open enrollment. The School District experienced a net loss in the amount of \$1,112,684 as a result of a greater number of students leaving to attend other school districts as compared to incoming students from other school districts.

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The School District's expenses reflect a minimal decrease. Overall, the School District's expenses increased approximately one percent from fiscal year 2014 to fiscal year 2015. Regular instruction decreased in the amount of \$2,248,357 and directly relates to the increase in open enrollment out as discussed above. The increase in operation and maintenance of plant expenses is the result of loose furnishings purchased as part of the OSFC building project that do not meet the School District's capitalization threshold and therefore remained expensed.

As can be seen from Table 2, the change in net position reflects an increase in the amount of \$1,665,200 which is a combination of the changes in assets, deferred outflows of resources, 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.

Table 3  
Governmental Activities

	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>
<b>Program Expenses</b>				
Instruction				
Regular	\$10,658,249	\$10,062,691	\$12,906,606	\$11,577,794
Special	3,795,559	1,691,478	3,804,059	1,653,396
Vocational	1,348,211	1,055,988	1,515,745	1,177,526
Intervention	22,774	14,524	874	538
Support Services				
Pupils	1,055,226	1,017,166	992,184	846,145
Instructional Staff	1,023,011	648,647	809,630	291,844
Board of Education	22,442	22,442	25,512	25,512
Administration	2,496,887	2,496,406	2,066,023	2,062,188
Fiscal	1,015,638	1,015,638	938,962	938,962
Operation and Maintenance of Plant	3,440,633	3,095,128	2,080,018	2,000,533
Pupil Transportation	3,733,316	3,550,567	2,976,194	2,916,689
Central	75,680	75,680	59,597	59,597
Operation of Non-Instructional Services	1,613,419	390,097	1,621,064	428,397
Extracurricular Activities	533,479	189,249	476,125	76,943
Interest	1,215,330	1,215,330	1,340,252	1,340,252
Total	<u>\$32,049,854</u>	<u>\$26,541,031</u>	<u>\$31,612,845</u>	<u>\$25,396,316</u>

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

**Switzerland of Ohio Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
**Unaudited**

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**The School District's Funds**

Information about the School District's major funds begins on page 15. These governmental funds are accounted for using the modified accrual basis of accounting. In other words, the focus on the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. All governmental funds had total revenues of \$34,845,602 and expenditures in the amount of \$31,874,136. The General Fund's balance increased by \$3,676,540. Despite revenues and expenditures remaining stable as compared to the prior year, the School District was able to keep expenditures far below revenues and the net change in fund balance is one hundred and fifty-five percent of the prior year fund balance. The Bond Retirement Debt Service Fund had total revenues of \$2,534,572 which was higher than total expenditures of \$1,897,626. The revenues and expenditures of this fund are related to debt service requirements in accordance with amortization schedules associated with the School District's outstanding debt. The millage for debt service property tax revenue is analyzed each year by the County Auditor so as not to have an excessive balance as compared to future debt service requirements.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The School District did amend its General Fund original budget throughout the year, and as such, the figures reflect original and final budgeted amounts. Estimated property tax revenue was increased in the amount of \$617,463 when it became evident that property tax revenues were exceeding the original budget estimate. Original budgeted amounts for regular instruction were decreased by \$729,341 to \$10,393,088 as the decrease in enrollment occurred throughout the year.

The net change in fund balance was \$235,562 higher than the final estimate primarily due to conservative revenue estimates and year-end budget alignments.

The School District's General Fund ending unobligated fund balance was \$5,432,850 and was \$235,562 higher than the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2015, the School District had \$86,015,255 invested in land, buildings and improvements, vehicles, and furniture and equipment in governmental activities. See Note 9 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2015, the School District had \$33,497,884 outstanding in various school improvement bonds, including premiums and accretion. The two separate school improvement bond issues consisted of Qualified School Construction Bonds (QSCBs), tax exempt bonds, capital appreciation bonds, and refunding bonds. In addition to bonded debt, the School District has outstanding capital lease obligations. See Notes 15 and 16 for more detailed information of the School District's long-term debt.

**Switzerland of Ohio Local School District, Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2015**  
**Unaudited**

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**Economic Factors**

The Switzerland of Ohio Local School District ended fiscal year 2015 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).

Switzerland of Ohio Local School District  
Statement of Net Position  
June 30, 2015

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$14,299,277
Cash and Cash Equivalents in Segregated Accounts	765,286
Prepaid Items	83,498
Accounts Receivable	45,240
Intergovernmental Receivable	705,382
Inventory Held for Resale	10,732
Materials and Supplies Inventory	2,112
Property Taxes Receivable	9,237,343
Nondepreciable Capital Assets	1,041,648
Depreciable Capital Assets, Net	84,973,607
Total Assets	111,164,125
 <b>Deferred Outflows of Resources</b>	
Pension	1,817,587
 <b>Liabilities</b>	
Matured Compensated Absences Payable	22,820
Accounts Payable	260,170
Contracts Payable	51,682
Retainage Payable	224,101
Accrued Wages and Benefits Payable	1,666,583
Intergovernmental Payable	365,624
Accrued Interest Payable	127,694
Unearned Revenue	21,381
Long-Term Liabilities:	
Due Within One Year	1,028,707
Due In More Than One Year:	
Net Pension Liability (See Note 13)	25,504,325
Other Amounts Due In More Than One Year	33,333,861
Total Liabilities	62,606,948
 <b>Deferred Inflows of Resources</b>	
Property Taxes	7,159,801
Pension	8,116,671
Total Deferred Inflows of Resources	15,276,472
 <b>Net Position</b>	
Net Investment in Capital Assets	52,577,533
Restricted for:	
Debt Service	5,650,068
Capital Projects	1,172,306
Classroom Facilities Maintenance	931,345
Food Service Operations	22,446
Federal Programs	360,774
State Programs	16,596
Athletic and Music Programs	141,325
Other Purposes	11,132
Unclaimed Monies	2,238
Unrestricted (Deficit)	(25,787,471)
Total Net Position	\$35,098,292

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues		Net Expense and Change in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$10,658,249	\$114,351	\$481,207	(\$10,062,691)
Special	3,795,559	144,123	1,959,958	(1,691,478)
Vocational	1,348,211	0	292,223	(1,055,988)
Student Intervention	22,774	0	8,250	(14,524)
Support Services:				
Pupils	1,055,226	0	38,060	(1,017,166)
Instructional Staff	1,023,011	0	374,364	(648,647)
Board of Education	22,442	0	0	(22,442)
Administration	2,496,887	0	481	(2,496,406)
Fiscal	1,015,638	0	0	(1,015,638)
Operation and Maintenance of Plant	3,440,633	282,542	62,963	(3,095,128)
Pupil Transportation	3,733,316	0	182,749	(3,550,567)
Central	75,680	0	0	(75,680)
Operation of Non-Instructional Services:				
Food Service Operations	1,506,850	195,302	962,296	(349,252)
Other Non-Instructional Services	106,569	0	65,724	(40,845)
Extracurricular Activities	533,479	292,647	51,583	(189,249)
Interest	1,215,330	0	0	(1,215,330)
Total Governmental Activities	<u>\$32,049,854</u>	<u>\$1,028,965</u>	<u>\$4,479,858</u>	<u>(26,541,031)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
				10,813,531
				2,147,591
				183,821
Grants and Entitlements not Restricted to Specific Programs				
				14,691,799
				119,180
				250,309
				<u>28,206,231</u>
				1,665,200
				33,433,092
				<u>\$35,098,292</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$6,516,488	\$5,540,302	\$2,240,249	\$14,297,039
Cash and Cash Equivalents in Segregated Accounts	0	0	765,286	765,286
Materials and Supplies Inventory	0	0	2,112	2,112
Inventory Held for Resale	0	0	10,732	10,732
Accounts Receivable	21,725	0	23,515	45,240
Interfund Receivable	252,485	0	0	252,485
Intergovernmental Receivable	30,430	0	674,952	705,382
Prepaid Items	74,386	0	9,112	83,498
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	2,238	0	0	2,238
Property Taxes Receivable	7,515,677	1,588,228	133,438	9,237,343
<b>Total Assets</b>	<b>\$14,413,429</b>	<b>\$7,128,530</b>	<b>\$3,859,396</b>	<b>\$25,401,355</b>
<b>Liabilities</b>				
Accounts Payable	\$223,774	\$0	\$36,396	\$260,170
Contracts Payable	34,475	0	17,207	51,682
Retainage Payable	0	0	224,101	224,101
Accrued Wages and Benefits Payable	1,511,685	0	154,898	1,666,583
Interfund Payable	0	0	252,485	252,485
Intergovernmental Payable	338,453	0	27,171	365,624
Matured Compensated Absences Payable	21,055	0	1,765	22,820
Unearned Revenue	0	0	21,381	21,381
<b>Total Liabilities</b>	<b>2,129,442</b>	<b>0</b>	<b>735,404</b>	<b>2,864,846</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes	5,802,257	1,252,899	104,645	7,159,801
Unavailable Revenue	436,953	82,615	369,925	889,493
<b>Total Deferred Inflows of Resources</b>	<b>6,239,210</b>	<b>1,335,514</b>	<b>474,570</b>	<b>8,049,294</b>
<b>Fund Balances</b>				
Nonspendable:				
Inventories	0	0	2,112	2,112
Prepaid Items	74,386	0	9,112	83,498
Unclaimed Monies	2,238	0	0	2,238
Restricted for:				
Athletic and Music Expenditures	0	0	141,254	141,254
Capital Improvements	0	0	930,998	930,998
Debt Service	0	5,793,016	0	5,793,016
Classroom Facilities Maintenance	0	0	920,323	920,323
State Grant Expenditures	0	0	16,596	16,596
Federal Grant Expenditures	0	0	35,588	35,588
Other Purposes	0	0	10,128	10,128
Committed to:				
Scholarships	0	0	43,032	43,032
Severance Payments	398,830	0	0	398,830
Encumbrances	420,538	0	0	420,538
Capital Improvements	0	0	561,699	561,699
Assigned to:				
Purchases on Order	12,099	0	0	12,099
Subsequent Years' Appropriations	1,255,744	0	0	1,255,744
Other Purposes	62,462	0	0	62,462
Unassigned (Deficit)	3,818,480	0	(21,420)	3,797,060
<b>Total Fund Balances</b>	<b>6,044,777</b>	<b>5,793,016</b>	<b>2,649,422</b>	<b>14,487,215</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$14,413,429</b>	<b>\$7,128,530</b>	<b>\$3,859,396</b>	<b>\$25,401,355</b>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2015

Total Governmental Fund Balances		\$14,487,215
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.		86,015,255
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	502,534	
Grants	362,679	
Customer Sales and Services	20,773	
Miscellaneous Revenue	2,500	
Gifts and Donations	1,007	
Total	889,493	889,493
Accrued interest payable is recognized for outstanding long-term liabilities with interest accruals that are not expected to be paid with expendable available resources and therefore are not reported in the funds.		(127,694)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Improvement Bonds - Serial	(20,826,941)	
School Improvement Bonds - Term	(11,730,000)	
School Improvement Bonds - Capital Appreciation	(93,230)	
Accretion on Capital Appreciation Bonds	(217,445)	
Bond Premium	(630,268)	
Capital Leases	(13,844)	
Compensated Absences Payable	(850,840)	
Total	(34,362,568)	(34,362,568)
The net pension liability is not due and payable in the current period and therefore the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,817,587	
Deferred Inflows - Pension	(8,116,671)	
Net Pension Liability	(25,504,325)	
Total	(31,803,409)	(31,803,409)
Net Position of Governmental Activities		\$35,098,292

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, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$11,250,238	\$2,229,964	\$191,089	\$13,671,291
Intergovernmental	15,828,453	230,925	3,636,884	19,696,262
Interest	38,598	73,683	6,899	119,180
Tuition and Fees	237,823	0	0	237,823
Extracurricular Activities	0	0	292,647	292,647
Rentals	282,542	0	0	282,542
Charges for Services	20,651	0	198,000	218,651
Gifts and Donations	4,890	0	74,507	79,397
Miscellaneous	243,615	0	4,194	247,809
<b>Total Revenues</b>	<b>27,906,810</b>	<b>2,534,572</b>	<b>4,404,220</b>	<b>34,845,602</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,085,166	0	704,598	10,789,764
Special	2,687,910	0	1,022,327	3,710,237
Vocational	1,232,565	0	41,817	1,274,382
Student Intervention Services	14,242	0	8,532	22,774
Support Services:				
Pupils	987,250	0	46,880	1,034,130
Instructional Staff	527,020	0	440,095	967,115
Board of Education	22,442	0	0	22,442
Administration	2,332,313	0	73,849	2,406,162
Fiscal	879,031	79,473	6,483	964,987
Operation and Maintenance of Plant	2,377,739	0	320,517	2,698,256
Pupil Transportation	2,724,268	0	639,499	3,363,767
Central	62,307	0	10,776	73,083
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,303,418	1,303,418
Other Non-Instructional Services	2,065	0	63,427	65,492
Extracurricular Activities	259,466	0	281,676	541,142
Capital Outlay	5,867	0	807,397	813,264
Debt Service:				
Principal Retirement	3,994	620,964	0	624,958
Interest on Capital Appreciation Bonds	0	55,761	0	55,761
Interest and Fiscal Charges	1,574	1,141,428	0	1,143,002
<b>Total Expenditures</b>	<b>24,205,219</b>	<b>1,897,626</b>	<b>5,771,291</b>	<b>31,874,136</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>3,701,591</b>	<b>636,946</b>	<b>(1,367,071)</b>	<b>2,971,466</b>
<b>Other Financing Source (Use)</b>				
Transfers In	0	0	25,051	25,051
Transfers Out	(25,051)	0	0	(25,051)
<b>Total Other Financing Source (Use)</b>	<b>(25,051)</b>	<b>0</b>	<b>25,051</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>3,676,540</b>	<b>636,946</b>	<b>(1,342,020)</b>	<b>2,971,466</b>
<b>Fund Balances Beginning of Year</b>	<b>2,368,237</b>	<b>5,156,070</b>	<b>3,991,442</b>	<b>11,515,749</b>
<b>Fund Balances End of Year</b>	<b>\$6,044,777</b>	<b>\$5,793,016</b>	<b>\$2,649,422</b>	<b>\$14,487,215</b>

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, 2015

Net Change in Fund Balances - Total Governmental Funds \$2,971,466

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 depreciation exceeded capital outlay in the current period:

Capital Asset Additions	1,179,779	
Current Year Depreciation	<u>(3,009,918)</u>	(1,830,139)

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

Delinquent Property Taxes	(526,348)	
Intergovernmental	(1,057,812)	
Miscellaneous Revenue	2,500	
Gifts and Donations	1,007	
Charges for Services	<u>(2,698)</u>	(1,583,351)

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	(108,535)	
Amortization of Bond Premium	36,197	
Accrued Interest	<u>10</u>	(72,328)

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	620,964	
Capital Appreciation Bond Interest	55,761	
Capital Leases	<u>3,994</u>	680,719

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,577,663

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (169,158)

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. 90,328

Change in Net Position of Governmental Activities \$1,665,200

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$9,820,787	\$10,438,250	\$10,438,250	\$0
Intergovernmental	15,577,975	15,871,693	15,873,820	2,127
Interest	17,000	39,090	38,597	(493)
Tuition and Fees	87,601	114,354	237,823	123,469
Rentals	7,500	282,305	282,542	237
Gifts and Donations	0	4,890	4,890	0
Charges for Services	20,370	20,610	20,631	21
Miscellaneous	83,800	228,411	127,816	(100,595)
<b>Total Revenues</b>	<b>25,615,033</b>	<b>26,999,603</b>	<b>27,024,369</b>	<b>24,766</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,122,429	10,393,088	10,309,096	83,992
Special	2,947,990	2,713,687	2,691,394	22,293
Vocational	1,385,017	1,299,727	1,289,254	10,473
Student Intervention	15,300	14,358	14,242	116
Support Services:				
Pupils	1,066,681	1,000,994	992,928	8,066
Instructional Staff	547,060	513,372	509,235	4,137
Board of Education	25,451	23,883	23,691	192
Administration	2,462,802	2,310,940	2,292,325	18,615
Fiscal	946,397	888,118	880,961	7,157
Operation and Maintenance of Plant	2,662,113	2,496,095	2,475,983	20,112
Pupil Transportation	3,387,415	3,178,818	3,153,202	25,616
Central	111,929	105,036	104,190	846
Operation of Non-Instructional Services	2,218	17	0	17
Extracurricular Activities	305,288	237,181	234,617	2,564
Capital Outlay	6,303	5,914	5,867	47
Debt Service:				
Principal Retirement	3,994	3,994	3,994	0
Interest and Fiscal Charges	1,574	1,574	1,574	0
<b>Total Expenditures</b>	<b>26,999,961</b>	<b>25,186,796</b>	<b>24,982,553</b>	<b>204,243</b>
Excess of Revenues Over (Under) Expenditures	(1,384,928)	1,812,807	2,041,816	229,009
<b>Other Financing Sources (Uses)</b>				
Insurance Recoveries	0	131,600	0	(131,600)
Advances In	250,000	212,123	204,755	(7,368)
Transfers In	0	1,787	0	(1,787)
Advances Out	(218,355)	(200,000)	(202,875)	(2,875)
Transfers Out	(563,351)	(675,000)	(524,817)	150,183
<b>Total Other Financing Sources (Uses)</b>	<b>(531,706)</b>	<b>(529,490)</b>	<b>(522,937)</b>	<b>6,553</b>
Net Change in Fund Balance	(1,916,634)	1,283,317	1,518,879	235,562
Fund Balance Beginning of Year	3,471,066	3,471,066	3,471,066	0
Prior Year Encumbrances Appropriated	442,905	442,905	442,905	0
<b>Fund Balance End of Year</b>	<b>\$1,997,337</b>	<b>\$5,197,288</b>	<b>\$5,432,850</b>	<b>\$235,562</b>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$0	\$91,218
Cash and Cash Equivalents in Segregated Accounts	187,685	0
Total Assets	187,685	\$91,218
<b>Liabilities</b>		
Due to Students	0	\$91,218
<b>Net Position</b>		
Held In Trust for Scholarships	\$187,685	

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, 2015

	Private Purpose Trust
<b>Additions</b>	
Interest	\$284
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	1,000
Change in Net Position	(716)
Net Position Beginning of Year	188,401
Net Position End of Year	\$187,685
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, 2015

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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 portions of Noble and Belmont Counties. The Board of Education controls the School District's thirteen instructional/support facilities staffed by 125 classified employees, 187 certificated full-time teaching personnel/administrative employees who provide services to 2,473 students and other community members.

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

***Reporting Entity***

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

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

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

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 (CORAS), the Metropolitan Educational Technology Association (META), and the Ohio School Boards Association Workers' Compensation Group Rating Plan. Additional information concerning these organizations is presented in Note 17.

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

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

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

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

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

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

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
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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 and the Bond Retirement Debt Service Fund are the School District's major governmental funds:

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

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

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

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

### **C. Measurement Focus**

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

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

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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***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 outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees, and rentals. Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 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. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13) 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, charges for services, gifts and donations, and miscellaneous revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
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***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 2015, 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 2015 amounted to \$38,598, of which \$13,329 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, 2015, 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.

***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.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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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 one thousand-five hundred dollars. The School District currently capitalizes land, buildings and improvements, vehicles, and furniture and equipment. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land 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.

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

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
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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 and net pension liability 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. Pensions***

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

***M. 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.

***N. 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.

***O. 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.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
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***P. 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. The Board of Education assigned fund balance to cover a gap between estimated revenue and appropriations in the 2016’s appropriated budget.

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.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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***Q. Net Position***

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

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

***R. 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.

***S. 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.

***T. Budgetary Process***

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

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

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Note 3 - Change in Accounting Principle and Restatement of Net Position**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68". GASB Statement No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported at June 30, 2014:

Net Position June 30, 2014	\$66,645,006
Adjustments:	
Net Pension Liability	(34,689,748)
Deferred Outflow - Payments Subsequent to Measurement Date	1,477,834
Restated Net Position June 30, 2014	\$33,433,092

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2015, the IDEA Part B and the Title I Special Revenue Funds had a deficit fund balance in the amounts of \$2,742 and \$14,400, respectively. These deficits are due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

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

	Amount
Special Revenue Funds:	
Athletic and Music	\$2,648
Straight A	111,500
Miscellaneous Federal Grants	10,880

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Unrecorded cash adjustments represent amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
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	\$3,676,540
Net Adjustment for Revenue Accruals	(738,192)
Fiscal Year 2015 Unreported Cash	(49,237)
Fiscal Year 2014 Unreported Cash	8
Fiscal Year 2015 Prepaid Items	(74,386)
Fiscal Year 2014 Prepaid Items	69,078
Net Adjustment for Expenditure Accruals	(387,842)
Perspective Difference	(397,951)
Advances In	204,755
Advances Out	(203,257)
Encumbrances	(580,637)
Budget Basis	<u><u>\$1,518,879</u></u>

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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## **Note 6 - 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 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.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
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*Deposits*

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end \$15,560,512 of the School District's bank balance of \$16,060,512, including the payroll account balance of \$239,590, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, 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, 2015 are available to finance fiscal year 2015 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, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources for property taxes not levied to finance current year operations.

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The amount available as an advance, and recognized as revenue at June 30, 2015, was \$1,300,551 in the General Fund, \$21,743 in the Classroom Facilities Maintenance Special Revenue Fund, and \$252,714 in the Bond Retirement Debt Service Fund. At June 30, 2014, \$488,563 was available as an advance in the General Fund, \$9,958 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$121,962 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 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$283,329,550	69.57%	\$299,964,850	71.38%
Public Utility Personal	123,954,000	30.43%	120,285,810	28.62%
<b>Total</b>	<b>\$407,283,550</b>	<b>100.00%</b>	<b>\$420,250,660</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$41.30		\$41.30	

During fiscal year 2015, 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.

### Note 8 - Receivables

Receivables at June 30, 2015, 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 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 \$502,534, may not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities:</b>	
Title I Grants	\$330,979
Title II-A Grant	164,151
Special Education Part B IDEA	94,535
Secondary Grant	16,757
Title VI-B	26,067
SERS Overfunding	7,019
Food Service Breakfast and Lunch Reimbursements	42,463
Medicaid Reimbursements	19,322
Miscellaneous Receivables	4,089
<b>Total</b>	<b>\$705,382</b>

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**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>Nondepreciable Capital Assets</b>				
Land	\$1,041,648	\$0	\$0	\$1,041,648
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	93,497,814	690,223	0	94,188,037
Vehicles	4,155,569	281,683	0	4,437,252
Furniture and Equipment	2,305,743	207,873	0	2,513,616
Total Capital Assets Being Depreciated	<u>99,959,126</u>	<u>1,179,779</u>	<u>0</u>	<u>101,138,905</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(9,688,764)	(2,606,210)	0	(12,294,974)
Vehicles	(2,299,913)	(189,315)	0	(2,489,228)
Furniture and Equipment	(1,166,703)	(214,393)	0	(1,381,096)
Total Accumulated Depreciation	<u>(13,155,380)</u>	<u>(3,009,918) *</u>	<u>0</u>	<u>(16,165,298)</u>
Total Capital Assets Being Depreciated, Net	<u>86,803,746</u>	<u>(1,830,139)</u>	<u>0</u>	<u>84,973,607</u>
Governmental Activities Capital Assets, Net	<u>\$87,845,394</u>	<u>(\$1,830,139)</u>	<u>\$0</u>	<u>\$86,015,255</u>

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

Instruction:		
Regular		\$859,121
Special		338,807
Vocational		181,881
Support Services:		
Pupils		104,248
Instructional Staff		78,186
Administration		248,803
Fiscal		52,124
Operation and Maintenance of Plant		295,992
Pupil Transportation		603,985
Operation of Non-Instructional Services		246,771
Total Governmental Depreciation		<u>\$3,009,918</u>

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**Note 10 - 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	\$49,228
Scholarship Funds	250
Miscellaneous Local Grants	4,272
Title I	86,385
Title VI-B	30,000
Miscellaneous Federal Grants	<u>82,350</u>
Total	<u>\$252,485</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***

The General Fund transferred money to the Food Service and Miscellaneous Federal Grants Special Revenue Funds in the amounts of \$25,000 and \$51, respectively. These transfers were to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 11 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015 the School District purchased the following coverage:

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Liberty Mutual

Fleet Insurance:

Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured/Underinsured Motorists	\$1,000,000	any one accident
Physical Damage Comprehensive	\$50,000	\$250 deductible
Physical Damage Collision	\$50,000	\$250 deductible

Property Coverage

Commercial Property	\$99,073,468	\$2,500 deductible
Equipment Breakdown	\$25,000 - \$1,000,000	\$2,500 deductible

General Liability

Commercial General Liability	\$1,000,000-\$2,000,000	each occurrence/aggregate
Employee Benefits Liability	\$1,000,000-\$3,000,000	\$1,000 deductible
Errors and Omissions	\$1,000,000	each occurrence/aggregate
Employers Stop Gap Liability	\$1,000,000-\$2,000,000	each occurrence/aggregate
Violent Event Response	\$15,000-\$300,000	each occurrence/aggregate

Inland Marine

Property Floater	\$7,778-\$21,011	\$250-\$500 deductible
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Westfield Insurance Company

Commercial Crime Coverage	\$2,500	\$500 deductible
Employee Theft	\$10,000	
Treasurer Bond	\$20,000	

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

***B. Workers' Compensation***

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience as a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Note 12 - Other Employee Benefits**

***A. Compensated Absences***

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

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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 2015, 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 2015, the School District paid ninety percent of the premium and the employees paid ten percent.

***C. Retirement Incentive Payable***

The School District's negotiated agreement with the Switzerland of Ohio Education Association provides for payment of one-half of total accumulated sick leave to any certificated staff who is covered under their contract and retires in the first year that they become eligible to receive benefits from the State Teachers Retirement System. Any certificated staff covered under this contract who retires at any other time is eligible to receive one-fourth of their accumulated sick leave. At June 30, 2015, there was no matured liability for this benefit.

**Note 13 - Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$389,062 for fiscal year 2015. Of this amount \$30,436 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description - School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,188,601 for fiscal year 2015. Of this amount, \$137,852 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$5,027,643	\$20,476,682	\$25,504,325
Proportion of the Net Pension Liability	0.099342%	0.08418490%	
Pension Expense	\$293,167	(\$124,009)	\$169,158

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At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$42,791	\$197,133	\$239,924
School District contributions subsequent to the measurement date	<u>389,062</u>	<u>1,188,601</u>	<u>1,577,663</u>
Total Deferred Outflows of Resources	<u><u>\$431,853</u></u>	<u><u>\$1,385,734</u></u>	<u><u>\$1,817,587</u></u>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$816,000	\$3,788,264	\$4,604,264
Change in proportionate share	<u>0</u>	<u>3,512,407</u>	<u>3,512,407</u>
Total Deferred Inflows of Resources	<u><u>\$816,000</u></u>	<u><u>\$7,300,671</u></u>	<u><u>\$8,116,671</u></u>

\$1,577,663 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$193,194)	(\$1,775,885)	(\$1,969,079)
2017	(193,194)	(1,775,885)	(1,969,079)
2018	(193,194)	(1,775,885)	(1,969,079)
2019	<u>(193,627)</u>	<u>(1,775,883)</u>	<u>(1,969,510)</u>
Total	<u><u>(\$773,209)</u></u>	<u><u>(\$7,103,538)</u></u>	<u><u>(\$7,876,747)</u></u>

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$7,172,951	\$5,027,643	\$3,223,252

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

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**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$29,314,602	\$20,476,682	\$13,002,775

**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, 2015 there were two employees who elected Social Security.

**Note 14 - Postemployment Benefits**

**A. School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
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Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$51,390.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$78,538, \$73,724, and \$100,931, respectively. For fiscal year 2015, 29.56 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

***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) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$87,800, and \$98,116, respectively. The full amount has been contributed for fiscal years 2015, 2014, and 2013.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Note 15 - Capital Leases - Lessee Disclosure**

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

The assets acquired by lease have been capitalized in the government-wide financial statements in the amount of \$21,915 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide statements. Capitalized lease assets are reflected net of accumulated depreciation in the amount of \$10,958 at June 30, 2015. Principal payments toward all capital leases during fiscal year 2015 totaled \$3,994.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$4,400	\$1,169	\$5,569
2017	4,846	722	5,568
2018	4,030	268	4,298
2019	568	14	582
Totals	\$13,844	\$2,173	\$16,017

**Note 16 - Long-Term Obligations**

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

				Amounts	
	Outstanding			Outstanding	Due Within
	06/30/14	Additions	Reductions	06/30/15	One Year
<b>Governmental Activities</b>					
2009 School Improvement Bonds:					
Qualified School Construction Serial					
Bonds - 1.65% - \$10,000,000	\$8,293,666	\$0	(\$611,725)	\$7,681,941	\$781,941
Tax-Exempt Serial Bonds - 2.00% - 3.30% - \$30,000	15,000	0	(5,000)	10,000	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%	79,764	27,807	0	107,571	0
Bond Premium	110,918	0	(13,049)	97,869	0
<b>Total 2009 School Improvement Bonds</b>	<b>8,969,347</b>	<b>27,807</b>	<b>(629,774)</b>	<b>8,367,380</b>	<b>786,941</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 - .801% - 3.10% - \$40,000	32,470	0	(4,239)	28,231	4,120
Capital Appreciation Bonds Accretion - \$575,000 - .80%-3.10%	84,907	80,728	(55,761)	109,874	55,880
Bond Premium	555,547	0	(23,148)	532,399	0
<b>Total 2013 School Improvement Bonds</b>	<b>25,132,924</b>	<b>80,728</b>	<b>(83,148)</b>	<b>25,130,504</b>	<b>60,000</b>
Capital Leases	17,838	0	(3,994)	13,844	4,400
Net Pension Liability:					
STRS	28,782,198		(8,305,516)	20,476,682	
SERS	5,907,550		(879,907)	5,027,643	
<b>Total Net Pension Liability</b>	<b>34,689,748</b>	<b>0</b>	<b>(9,185,423)</b>	<b>25,504,325</b>	<b>0</b>
Compensated Absences	941,168	158,605	(248,933)	850,840	177,366
<b>Total Long-Term Obligations</b>	<b>\$69,751,025</b>	<b>\$267,140</b>	<b>(\$10,151,272)</b>	<b>\$59,866,893</b>	<b>\$1,028,707</b>

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

***School Improvement Bonds***

During fiscal year 2010, the School District issued \$10,000,000 in Qualified School Construction Bonds (QSCBs) in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds were issued for the purpose of paying a portion of the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, building demolition, other site improvements, and all necessary appurtenances thereto.

The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009. The issuance included issuance costs of \$113,409 which were previously expensed.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
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	765,000	165,000	930,000
2021-2025	3,825,000	742,500	4,567,500
Totals	\$7,681,941	\$1,567,500	\$9,249,441

During fiscal year 2010, the School District issued \$24,999,999 in School Improvement Bonds. The issue consisted of tax exempt bonds (serial, term, and capital appreciation) and Build America Bonds (BABs). The bonds were issued for the purpose of repaying outstanding bond anticipation notes issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, building demolition, other site improvements, and all appurtenances thereto. The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009. During fiscal year 2013, the Build America Bonds (BABs) portion, in the amount of \$24,500,000, was current refunded. The non-refunded portion of the total issuance has remaining premium in the amount of \$97,869 that will be amortized over the remaining life of the bonds. The amount amortized for 2015 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 2015 accretion was \$27,807 resulting in a total bond liability of \$172,570.

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**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
2016	\$5,000	\$16,441	\$21,441
2017	5,000	16,283	21,283
2023	405,000	24,400	429,400
Totals	<u>\$415,000</u>	<u>\$57,124</u>	<u>\$472,124</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.

Switzerland of Ohio Local School District  
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For the Fiscal Year Ended June 30, 2015

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 2015 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
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	0	959,844	959,844
2021-2025	640,000	4,780,470	5,420,470
2026-2030	7,100,000	4,106,428	11,206,428
2031-2035	9,520,000	2,453,050	11,973,050
2036-2038	7,200,000	441,600	7,641,600
Totals	<u>\$24,460,000</u>	<u>\$16,580,768</u>	<u>\$41,040,768</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:

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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/matured December 1, 2014 through December 1, 2022. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$615,000. For fiscal year 2015, \$80,728 was accreted, and after the current year retirement of \$60,000, the remaining capital appreciation bond liability is \$138,105.

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

Fiscal Year Ending June 30,	Principal	Accretion	Total
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	3,476	56,524	60,000
2021-2023	9,168	170,832	180,000
Totals	\$28,231	\$451,769	\$480,000

***Net Pension Liability***

The School District pays obligations related to employee compensation from the fund benefitting from their service.

***Compensated Absences***

Compensated absences will be paid from the General Fund.

**Note 17 - Jointly Governed Organizations and Insurance Purchasing Pool**

***A. Jointly Governed Organizations***

The **Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA)** was created as a separate regional council of governments pursuant to State statutes. OME-RESA operates under the direction of a board comprised of a representative from each participating school district. The Board exercises total control over the operation of OME-RESA including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the Board. OME-RESA provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2015, the amount paid to OME-RESA from the School District was \$136,114 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.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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The **Coalition of Rural and Appalachian Schools (CORAS)** 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 2015. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Mike Shoemaker, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

The School District participates in the **Metropolitan Educational Technology Association (META)**, a jointly governed organization created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and non-members innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During fiscal year 2015, the School District made a payment of \$1,010 to META for a membership fee. Financial information may be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

***B. Insurance Purchasing Pool***

The School District participates in the **Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)**, an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program. The School District enrollment fee for fiscal year 2015 was \$2,920.

## **Note 18 - Contingencies**

### ***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2015, if applicable, cannot be determined at this time.

### ***B. Foundation***

School district foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not fully determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School District.

### ***C. Litigation***

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

## **Note 19 - Set-Asides**

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

Effective June 30, 2005, through Amended Substitute House Bill 66, school districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the Districts apply and receive approval from the Ohio Department of Education. Switzerland of Ohio Local School District remained in Fiscal Caution during fiscal year 2015 but did not request a waiver of the set-aside requirement for fiscal year 2015.

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

	Capital Improvements
Set-aside reserve balance as of June 30, 2014	\$0
Current year set-aside requirement	397,954
Current year qualifying expenditures	(292,638)
Current year offsets	(244,013)
Total	(\$138,697)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside reserve balance as of June 30, 2015	\$0

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

Debt proceeds may be used to reduce the capital set-aside reserve. The amount used each fiscal year is limited to the amount of revenue collected to service the debt or the set-aside balance less any offsets and qualified expenditures. The 2009 school improvement bonds proceeds less the accumulated amount of debt proceeds used as an offset is carried forward to future fiscal years until consumed. The amount of debt proceeds that may be used as an offset in future fiscal years is \$21,527,308.

**Note 20 - Significant Commitments**

**A. Encumbrances**

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

<u>Governmental Funds</u>	
General Fund	\$580,637
Other Governmental Funds	215,364
Total All Governmental Funds	\$796,001

**B. Contractual Commitments**

As of June 30, 2015, the School District had contractual purchase commitments relating to the Classroom Facilities Project. As the School District is nearing completion on this project, the majority of the contracts have been paid in full.

**Note 21 - Financial Position**

Based on the most recent Board-adopted five year forecast, the School District is projecting a deficit cash balance and a deficit unreserved fund balance in fiscal years 2018, 2019, and 2020 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".

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**Note 22 - Subsequent Event**

On the November 3, 2015 election, the School District placed a five mill current operating expense renewal levy on the ballot and the levy was approved by the voters.

**Required  
Supplementary  
Information**

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.099342%	0.099342%
School District's Proportionate Share of the Net Pension Liability	\$5,027,643	\$5,907,550
School District's Covered-Employee Payroll	\$2,885,029	\$2,817,863
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	174.27%	209.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	2014	2013
School District's Proportion of the Net Pension Liability	0.0841849%	0.0993382%
School District's Proportionate Share of the Net Pension Liability	\$20,476,682	\$28,782,198
School District's Covered-Employee Payroll	\$8,292,069	\$9,812,423
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	246.94%	293.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$389,062	\$399,865	\$389,992	\$397,970
Contributions in Relation to the Contractually Required Contribution	<u>(389,062)</u>	<u>(399,865)</u>	<u>(389,992)</u>	<u>(397,970)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,951,914	\$2,885,029	\$2,817,863	\$2,958,882
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$411,582	\$422,591	\$299,788	\$269,184	\$304,386	\$300,694
<u>(411,582)</u>	<u>(422,591)</u>	<u>(299,788)</u>	<u>(269,184)</u>	<u>(304,386)</u>	<u>(300,694)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,274,320	\$3,121,057	\$3,046,623	\$2,741,179	\$2,850,056	\$2,842,098
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,188,601	\$1,077,969	\$1,275,615	\$1,341,299
Contributions in Relation to the Contractually Required Contribution	<u>(1,188,601)</u>	<u>(1,077,969)</u>	<u>(1,275,615)</u>	<u>(1,341,299)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$8,490,007	\$8,292,069	\$9,812,423	\$10,317,685
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,341,300	\$1,410,565	\$1,355,578	\$1,230,452	\$1,281,887	\$1,317,878
<u>(1,341,300)</u>	<u>(1,410,565)</u>	<u>(1,355,578)</u>	<u>(1,230,452)</u>	<u>(1,281,887)</u>	<u>(1,317,878)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$10,317,692	\$10,850,500	\$10,427,523	\$9,465,015	\$9,860,669	\$10,137,523
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor Pass Through Grantor Program / Cluster Title	Grant Year	Federal CFDA Number	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Direct Grant</i>				
<i>Distance Learning and Telemedicine Loans and Grants</i>				
Distance Learning and Telemedicine Grant	2015	10.855	\$ 359,308	\$ -
<i>Total Distance Learning and Telemedicine Loans and Grants</i>			<u>359,308</u>	<u>-</u>
<i>Passed Through Ohio Department of Education</i>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	2015	10.553	385,640	-
National School Lunch Program	2015	10.555	<u>582,396</u>	<u>50,695</u>
<i>Total Child Nutrition Cluster</i>			<u>968,036</u>	<u>50,695</u>
Total U.S. Department of Agriculture			<b>1,327,344</b>	<b>50,695</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
<i>Title I</i>				
Title I Grants to Local Education Agencies	2014	84.010	116,246	-
Title I Grants to Local Education Agencies	2015	84.010	597,365	-
School Improvement Sub A, Title I	2014	84.010	64,369	-
School Improvement Sub A, Title I	2015	84.010	<u>189,969</u>	<u>-</u>
<i>Total Title I</i>			967,949	-
<i>Special Education Cluster</i>				
Special Education Grants to States - IDEA Part B	2014	84.027	8,560	-
Special Education Grants to States - IDEA Part B	2015	84.027	500,004	-
Special Education Preschool Grants - (IDEA Preschool)	2015	84.173	<u>15,907</u>	<u>-</u>
<i>Total Special Education Cluster</i>			524,471	-
<i>Career and Technical Education</i>				
Career and Technical Education Basic Grants to States	2014	84.048	27,301	-
Career and Technical Education Basic Grants to States	2015	84.048	<u>40,492</u>	<u>-</u>
<i>Total Career and Technical Education</i>			67,793	-
<i>Rural Education</i>				
Rural Education	2014	84.358	16,997	-
Rural Education	2015	84.358	<u>38,800</u>	<u>-</u>
<i>Total Rural Education</i>			<u>55,797</u>	<u>-</u>
<i>Improving Teacher Quality</i>				
Improving Teacher Quality State Grants	2014	84.367	14,778	-
Improving Teacher Quality State Grants	2015	84.367	<u>228,432</u>	<u>-</u>
<i>Total Improving Teacher Quality State Grants</i>			<u>243,210</u>	<u>-</u>
Total U.S. Department of Education			<b>1,859,220</b>	<b>-</b>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 3,186,564</u></b>	<b><u>\$ 50,695</u></b>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Switzerland of Ohio Local School District's (the District's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – SUBRECIPIENTS**

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note 1 describes, the District reports expenditures of federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations and the provisions of contracts or agreements and that the subrecipients achieve the award's performance goals. The amount passed through to subrecipients was \$15,907 for the Special Education Preschool Grant – IDEA Preschool.

**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, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2016. We noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68*.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

As part of reasonably assuring whether the 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 21, 2016.

***Entity's Responses to Findings***

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

***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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
January 21, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
 APPLICABLE TO THE 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 (the 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 District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

**Management's Responsibility**

The 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 District's compliance for each of the 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 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 District's major programs. However, our audit does not provide a legal determination of the District's compliance.

**Basis for Qualified Opinion on Child Nutrition Cluster and Distance Learning and Telemedicine Grant**

As described in findings 2015-004 and 2015-005 in the accompanying schedule of findings, the District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-004	10.553, 10.555	Child Nutrition Cluster	Special Tests & Provisions
2015-005	10.855	Distance Learning and Telemedicine Grant	Reporting

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

***Qualified Opinion on Child Nutrition Cluster and Distance Learning and Telemedicine Grant***

In our opinion except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster and Distance Learning and Telemedicine Grant* paragraph, the Switzerland of Ohio Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster and Distance Learning and Telemedicine Grant for the year ended June 30, 2015.

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

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

In our opinion, the Switzerland of Ohio Local School District complied, in all material respects with the compliance 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, 2015.

***Other Matters***

The results of our auditing procedures disclosed a deficiency in internal control which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2015-003. This finding did not require us to modify our compliance opinion on each major program.

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

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

The 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 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 the 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 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 a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

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 compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-005 to be a material weakness.

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 requirements 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 deficiency in internal control over compliance described in the accompanying schedule of findings as item 2015-004 to be a significant deficiency.

The District's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the 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.



**Charles E. Harris & Associates, Inc.**  
January 21, 2016

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT  
MONROE COUNTY  
SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion Special Education Cluster – Unmodified Child Nutr. Cluster – Unmodified except for Special Tests and Provisions was qualified Distance Learning and Telemedicine Grant – Unmodified except Reporting was qualified	
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list): Special Education Cluster - CFDA #84.027, #84.173 Distance Learning and Telemedicine Grant – CFDA #10.855 Nutrition Cluster – CFDA #10.555, #10.553	
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**Finding Number 2015-001 – Material Noncompliance**

**Budgetary Expenditures in Excess of Appropriations**

Ohio Revised Code Section 5705.41 requires that budgetary expenditures (actual expenditures plus encumbered amounts at year end) shall not exceed appropriations. During fiscal year 2015, budgetary expenditures exceeded appropriation authority in the following Special Revenue Funds: Athletic and Music Fund, \$2,648; Straight A Fund, \$111,500; and Miscellaneous Federal Grants Fund, \$10,880, respectively.

We recommend that the District monitor its budget closely to prevent expenditures from exceeding appropriations and pass amended appropriations during the year if necessary.

**Management's Response:** See Corrective Action Plan on page 79 for response.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT  
MONROE COUNTY  
SCHEDULE OF FINDINGS - Continued  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - Continued</b>
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**Finding Number 2015-002 – Material Noncompliance**

**Attendance Reporting**

Average Daily Membership (ADM) is a material variable used to compute school districts' funding, pursuant to Ohio Rev. Code Section 3317.022. Ohio Rev. Code Section 3317.03 defines ADM. Pursuant to Ohio Rev. Code Section 3317.03, the school superintendent shall report to the state board of education as of the last day of October, March and June of each year the enrollment of students receiving services from schools under the superintendent's supervision, and the number of other students entitled to attend school in the district under Ohio Rev. Code Section 3313.64 or 3313.65.

The counts are based on the annualized full-time equivalent (FTE) enrollment of each student. School districts will be able to continuously update this information, but must report actual FTE information by the last day of October, March and June. A student's FTE will be determined based on the individualized calendar/class schedule each student is assigned to for the school year and their enrollment and withdrawal dates.

Enrollment begins on the date on which the school has both received the documentation of the student's enrollment from a parent and the student has commenced learning opportunities offered by the District.

During testing, we noted that 18 students were not assigned to a calendar during the 2015 fiscal year. We recommend the District review all student records to ensure that each student is assigned to a valid calendar which properly reflects the class schedule of each student.

***Management's Response:*** See Corrective Action Plan on page 79 for response.

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

**Finding Number 2015-003 – Material Weakness**

**Substantially Incomplete Schedule of Federal Awards Expenditures**

OMB Circular A-133 states that it is management's responsibility to prepare an accurate Schedule of Federal Awards Expenditures. This requirement mandates that the recipient identify all federal programs (direct and indirect, major and non-major) and related awards expended, including separately identifying expenditures of Recovery Act awards.

The District's internal control procedures did not identify various errors within the Schedule of Federal Awards Expenditures, including but not limited to using incorrect figures, including state grants and excluding donated commodities and on behalf payments. The failure to identify grants and include all activities affects the District's ability to report accurate federal expenditures required by OMB Circular A-133. These errors were detected and corrected during the audit process.

We recommend that the District implement additional procedures to identify federal grants and ensure the accuracy of the annual schedule of federal awards expenditures. Management should contact the various granting agencies and request documentation for all grant activity with the District to confirm activity.

***Management's Response:*** See Corrective Action Plan on page 79 for response.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT  
MONROE COUNTY  
SCHEDULE OF FINDINGS - Continued  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

<b>3. FINDINGS FOR FEDERAL AWARDS - Continued</b>
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<b>Finding Number</b>	2015-004
<b>CFDA Title and Number</b>	Child Nutrition Cluster, CFDA #10.555
<b>Federal Award Number / Year</b>	2014/2015
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

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

7 CFR Section 210.14(e) states that for each school year beginning July 1, 2011 or later, 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 District performed the Paid Lunch Equity Calculation but did not use the correct amounts and did not increase the average lunch price to meet the required threshold. The District's average paid lunch price for fiscal year 2015 was \$2.55. This was lower than \$2.65, which was the difference in reimbursement rates.

The District should verify that the correct amounts are being used in the paid lunch equity calculation by utilizing reports to support the amounts input and should increase the paid lunch rates based on the results of the calculation, if applicable.

**Management's Response:** See the Corrective Action Plan on page 79 for response.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT  
MONROE COUNTY  
SCHEDULE OF FINDINGS - Continued  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

<b>3. FINDINGS FOR FEDERAL AWARDS - Continued</b>
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<b>Finding Number</b>	2015-005
<b>CFDA Title and Number</b>	Distance Learning and Telemedicine Grant, CFDA #10.855
<b>Federal Award Number / Year</b>	2014/2015
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	None

**Noncompliance and Material Weakness – Reporting**

2 CFR 80.41(b)(4) states, in part, that final reports will be due 90 days after the expiration or termination of grant support or as determined in the grant agreement.

The grant agreement stipulates that “commencing ninety days from the date of the grant agreement , and afterwards, within ninety days after the close of each calendar year, the grantee shall deliver to RUS (the U.S. Department of Agriculture) a Project Performance Activity Report, in form and substance satisfactory to RUS, in accordance with RUS Regulations 7 CFR 1703.107 and a completed Standard Form 425, *Federal Financial Report* until the expiration or termination of the grant, or the completion of the project and expenditure of all grant funds by the grantee. The grantee shall deliver such final reports to RUS no later than 90 days after the expiration or termination of the grant, or the completion of the project and expenditure of all grant funds.”

The District did not submit any Project Performance Activity Reports to the U.S. Department of Agriculture until it was brought to their attention by the auditors. The final report was filed on January 26, 2016.

We recommend that all required reports be submitted to the appropriate agencies by the filing deadline documented in the grant agreement. By not filing with the U.S. Department of Agriculture by the required deadline, the District could risk suspension of its federal funding.

**Management’s Response:** See Corrective Action Plan on page 79 for response.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

<b>FINDING NUMBER</b>	<b>FINDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2014-001	Overstatement of Retainage Payable	Yes	Finding No Longer Valid
2014-002	Verification of Free and Reduced Lunch Price Applications	Yes	Finding No Longer Valid
2014-003	Paid Lunch Equity	No	Partially Corrected; Repeated as Finding 2015-004
2014-004	Eligibility for Nutrition Program	Yes	Finding No Longer Valid
2014-005	Allowable Costs and Cost Principles for Special Education	Yes	Finding No Longer Valid
2014-006	Cash Management for Special Education	Yes	Finding No Longer Valid

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315  
JUNE 30, 2015**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2015-001	The District will monitor its budget more closely to prevent our expenditures from exceeding our appropriations.	Immediately	Lance Erlwein, Treasurer
2015-002	When the State converted from days to hours the District went from one calendar to thirty-five calendars. This was the transition year. The District will review and ensure that in future years each student is assigned the appropriate calendar for attendance in accordance with the new state guidelines.	Immediately	Lance Erlwein, Treasurer
2015-003	The Treasurer and fiscal department staff will more closely monitor our federal awards and institute controls to assist in identification and accurate reporting of them.	Immediately	Lance Erlwein, Treasurer
2015-004	The Treasurer will work with the Cafeteria Director to ensure the Paid Lunch Equity calculation is performed correctly. The Cafeteria Director shall contact the Treasurer when it is time to perform the calculation. Lunch prices have been increased to appropriate levels for the 2015-2016 school year.	Immediately	Lance Erlwein, Treasurer
2015-005	This grant was originally awards under the previous administration. We submitted the Final Project Performance Activity Report OH0717-A16 to the USDA by email on 1/26/16. This matter should be resolved. We are in the process of adopting new board policy on grant awards and reporting procedures.	Immediately	Lance Erlwein, Treasurer

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# 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  
MAY 10, 2016