

**SWITZERLAND OF OHIO
LOCAL SCHOOL DISTRICT**

MONROE COUNTY, OHIO

AUDIT REPORT

For the Fiscal Year Ended June 30, 2016





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, 2015 through June 30, 2016. 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

May 8, 2017

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

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	4
Statement of Net Position – June 30, 2016	13
Statement of Activities – For the Fiscal Year Ended June 30, 2016	14
Balance Sheet – Governmental Funds – June 30, 2016	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – June 30, 2016.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2016	17
Reconciliation of the Changes in Fund Balances of Government Funds to Statement of Activities – For the Fiscal Year Ended June 30, 2016	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2016	19
Statement of Fund Net Position – Proprietary Fund	20
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	21
Statement of Cash Flows – Proprietary Fund.....	22
Statement of Fiduciary Net Position – June 30, 2016.....	23
Statement of Changes in Fiduciary Net Position – For the Fiscal Year Ended June 30, 2016	24
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability School Employees Retirement System (SERS) of Ohio – Last Two Fiscal Years	62
Schedule of the District's Proportionate Share of the Net Pension Liability State Teachers Retirement System (STRS) of Ohio – Last Two Fiscal Years.....	63
Schedule of District Contributions – SERS of Ohio – Last Ten Fiscal Years	64
Schedule of District Contributions – STRS of Ohio – Last Ten Fiscal Years	65
Schedule of Expenditures of Federal Awards – For the Fiscal Year Ended June 30, 2016.....	67
Notes to the Schedule of Expenditures of Federal Awards – For the Fiscal Year Ended June 30, 2016 ..	68
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69

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

TITLE	PAGE
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	71
Schedule of Audit Findings	73
Schedule of Prior Audit Findings.....	75
Corrective Action Plan.....	76

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Switzerland of Local School District, Monroe County, Ohio, as of June 30, 2016, and the respective changes in its financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 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 and Other Information

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

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected 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 February 24, 2017, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
February 24, 2017

**Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Switzerland of Ohio Local School District's financial activities for the fiscal year ended June 30, 2016. 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 2016 are as follows:

- In total, net position of governmental activities increased \$1,851,789.
- General revenues accounted for \$28,806,337 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 \$5,423,260 or 16 percent of total revenues of \$34,229,597.
- Total assets and deferred outflows of resources increased by \$5,678,049 and total liabilities and deferred inflows of resources increased \$3,826,260.
- The School District had \$32,377,808 in expenses related to governmental activities; only \$5,423,260 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 \$28,806,337 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 2015-2016 fiscal year?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all *assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* and *changes* in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors. In the *Statement of Net Position* and the *Statement of Activities*, all of the School District's

**Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

programs and services are reported as Governmental Activities including instruction, support services, operation of non-instructional services (including food service operations), extracurricular activities, and interest expense.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Proprietary Fund - Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

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

Reporting the District's Fiduciary Responsibilities

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

**Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

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 2016 compared to fiscal year 2015:

(Table 1)
Net Position

	Governmental Activities		
	2016	2015	Change
Assets			
Current and Other Assets	\$32,423,797	\$25,148,870	\$7,274,927
Capital Assets, Net	83,468,056	86,015,255	(2,547,199)
<i>Total Assets</i>	<u>115,891,853</u>	<u>111,164,125</u>	<u>4,727,728</u>
Deferred Outflows of Resources			
Pension	2,767,908	1,817,587	950,321
Liabilities			
Current and Other Liabilities	3,397,834	2,740,055	657,779
Long-Term Liabilities			
Due Within One Year	962,642	1,028,707	(66,065)
Due in More Than One Year:			
Net Pension Liability	27,977,913	25,504,325	2,473,588
Other Amounts Due in More Than One Year	32,716,161	33,333,861	(617,700)
<i>Total Liabilities</i>	<u>65,054,550</u>	<u>62,606,948</u>	<u>2,447,602</u>
Deferred Inflows of Resources			
Property Taxes	11,427,887	7,159,801	4,268,086
Pension	5,227,243	8,116,671	(2,889,428)
<i>Total Deferred Inflows of Resources</i>	<u>16,655,130</u>	<u>15,276,472</u>	<u>1,378,658</u>
Net Position			
Net Investment in Capital Assets	51,090,251	52,577,533	(1,487,282)
Restricted	8,565,948	8,308,230	257,718
Unrestricted (Deficit)	(22,706,118)	(25,787,471)	3,081,353
<i>Total Net Position</i>	<u>\$36,950,081</u>	<u>\$35,098,292</u>	<u>\$1,851,789</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27". 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.

GASB 68 requires the net pension liability to equal the School District's proportionate share of each plan's

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

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.

Total assets increased \$4,727,728. Current and other assets increased in the amount of \$7,274,927. Property taxes receivable increased by \$3,408,610 due to the increased valuation of real and public utility property related to the oil and gas industry. The increases in valuations also resulted in increased revenues and an increase in cash and cash equivalents in the amount of \$3,870,306. Capital assets reflect a decrease in the amount of \$2,547,199 due to the current year depreciation and disposals exceeding capitalization of assets.

In total, liabilities increased by \$2,447,602. Current and other liabilities increased in the amount of \$657,779 mostly resulting from increases in accrued wages and benefits and claims payable. The increase in the net pension liability is the result of the overall increase 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 \$1,851,789. The biggest change is in unrestricted net position, which is directly related to decrease in pension related items. The increase in the General Fund ending balance (as explained on page 10), also added to the increase in unrestricted net position. During fiscal year 2016, the School District accumulated an internal service reserve balance in the amount of \$528,704 which is classified as unrestricted net position.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Another component of net position with a significant change from the prior year is the School District's net investment in capital assets. As mentioned above, 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 \$1,487,282.

Table 2 shows the changes in net position for fiscal year 2016, and comparisons to fiscal year 2015:

Table 2
Changes in Net Position of Governmental Activities

	2016	2015	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,130,095	\$1,028,965	\$101,130
Operating Grants and Contributions	4,293,165	4,479,858	(186,693)
Total Program Revenues	<u>5,423,260</u>	<u>5,508,823</u>	<u>(85,563)</u>
General Revenues			
Property Taxes	14,101,648	13,144,943	956,705
Grants and Entitlements	14,364,661	14,691,799	(327,138)
Investment Earnings	159,622	119,180	40,442
Miscellaneous and Other Revenues	180,406	250,309	(69,903)
Total General Revenues	<u>28,806,337</u>	<u>28,206,231</u>	<u>600,106</u>
Total Revenues	<u>34,229,597</u>	<u>33,715,054</u>	<u>514,543</u>
Program Expenses			
Instruction			
Regular	11,426,625	10,658,249	768,376
Special	3,767,066	3,795,559	(28,493)
Vocational	1,529,461	1,348,211	181,250
Intervention	3,377	22,774	(19,397)
Support Services			
Pupils	1,188,769	1,055,226	133,543
Instructional Staff	936,779	1,023,011	(86,232)
Board of Education	22,556	22,442	114
Administration	2,671,863	2,496,887	174,976
Fiscal	1,029,414	1,015,638	13,776
Operation and Maintenance of Plant	3,133,518	3,440,633	(307,115)
Pupil Transportation	2,990,989	3,733,316	(742,327)
Central	89,215	75,680	13,535
Operation of Non-Instructional Services	1,686,458	1,613,419	73,039
Extracurricular Activities	688,359	533,479	154,880
Interest	1,213,359	1,215,330	(1,971)
Total Expenses	<u>32,377,808</u>	<u>32,049,854</u>	<u>327,954</u>
Change in Net Position	1,851,789	1,665,200	186,589
Net Position Beginning of Year	<u>35,098,292</u>	<u>33,433,092</u>	<u>1,665,200</u>
Net Position End of Year	<u>\$36,950,081</u>	<u>\$35,098,292</u>	<u>\$1,851,789</u>

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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 41 percent of governmental activities revenues for Switzerland of Ohio Local School District in fiscal year 2016. The remaining 59 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 \$956,705 is due to the increase in property tax valuations relating to the oil and gas industry. See Note 7 for more information on property tax values and rates.

Overall, revenues increased in the amount of \$514,543. As mentioned earlier, property taxes increased from the prior year, however the increase was offset by a decrease in intergovernmental revenue in both the program and general revenue categories. Operating grants and contributions, the largest program revenue, decreased in the amount of \$186,693 as a result of the decrease in federal grants and the timing of their revenues. Unrestricted foundation revenue decreased from the prior year as the funding for property tax allocations.

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 \$1,392,315 as a result of a greater number of students leaving to attend other school districts as compared to incoming students from other school districts.

The School District's expenses reflect a minimal increase. Overall, the School District's expenses increased approximately one percent from fiscal year 2015 to fiscal year 2016. Regular instruction increased in the amount of \$768,376 which corresponds to the increase in open enrollment expenses as discussed above. The decrease in pupil transportation in the amount of \$742,327 relates to the Straight A grant funding the School District received and spent during fiscal year 2015. The grant was used to purchase non-capital equipment to implement school bus security.

As can be seen from Table 2, the change in net position reflects an increase in the amount of \$1,851,789 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, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2016	2016	2015	2015
Program Expenses				
Instruction				
Regular	\$11,426,625	\$11,002,794	\$10,658,249	\$10,062,691
Special	3,767,066	1,428,538	3,795,559	1,691,478
Vocational	1,529,461	1,287,043	1,348,211	1,055,988
Intervention	3,377	1,351	22,774	14,524
Support Services				
Pupils	1,188,769	1,125,164	1,055,226	1,017,166
Instructional Staff	936,779	634,538	1,023,011	648,647
Board of Education	22,556	22,556	22,442	22,442
Administration	2,671,863	2,671,191	2,496,887	2,496,406
Fiscal	1,029,414	1,028,895	1,015,638	1,015,638
Operation and Maintenance of Plant	3,133,518	2,763,085	3,440,633	3,095,128
Pupil Transportation	2,990,989	2,981,420	3,733,316	3,550,567
Central	89,215	89,215	75,680	75,680
Operation of Non-Instructional Services	1,686,458	344,063	1,613,419	390,097
Extracurricular Activities	688,359	361,336	533,479	189,249
Interest	1,213,359	1,213,359	1,215,330	1,215,330
Total	<u>\$32,377,808</u>	<u>\$26,954,548</u>	<u>\$32,049,854</u>	<u>\$26,541,031</u>

The dependence upon tax revenues and unrestricted government subsidies for governmental activities is apparent. Approximately 82 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

The School District's Funds

Information about the School District's major funds begins on page 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 \$34,270,152 and expenditures in the amount of \$32,426,118. The General Fund's balance increased by \$1,224,985. Despite revenues and expenditures remaining stable as compared to the prior year, the School District was able to keep current year expenditures far below revenues and the net change in fund balance is twenty percent of the prior year fund balance. The Bond Retirement Debt Service Fund's total revenues of \$2,363,262 were higher than total expenditures of \$2,066,530. The revenues and expenditures of this fund are related to debt service requirements in accordance with amortization schedules associated with the School District's outstanding debt. The millage for debt service property tax revenue is analyzed each year by the County Auditor so as not to have an excessive balance as compared to future debt service requirements.

**Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The School District did amend its General Fund original budget throughout the year, and as such, the figures reflect original and final budgeted amounts. Estimated property tax revenue was increased in the amount of \$2,890,228 when it became evident that property tax revenues related to the oil and gas industry were exceeding the original budget estimate. Original budgeted amounts for pupil transportation were decreased by \$265,094 to \$3,453,879 as the School District implemented cost savings decisions relating to the vast number of miles needed for daily student bus transportation.

The net change in fund balance was \$895,394 higher than the final estimate primarily due to conservative spending measures and year-end budget alignments.

The School District's General Fund ending unobligated fund balance was \$7,978,035 and was \$895,394 higher than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the School District had \$83,468,056 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, 2016, the School District had \$32,721,861 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.

Economic Factors

The Switzerland of Ohio Local School District ended fiscal year 2016 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.

**Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

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.

Switzerland of Ohio Local School District
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 17,599,369
Cash and Cash Equivalents in Segregated Accounts	530,194
Cash and Cash Equivalents with Fiscal Agents	805,306
Prepaid Items	124,133
Accounts Receivable	73,156
Intergovernmental Receivable	630,855
Inventory Held for Resale	11,833
Materials and Supplies Inventory	2,998
Property Taxes Receivable	12,645,953
Nondepreciable Capital Assets	1,041,648
Depreciable Capital Assets, Net	82,426,408
Total Assets	<u>115,891,853</u>
Deferred Outflows of Resources	
Pension	<u>2,767,908</u>
Liabilities	
Matured Compensated Absences Payable	17,398
Retirement Incentive Payable	21,545
Accounts Payable	254,762
Contracts Payable	27,864
Accrued Wages and Benefits Payable	1,766,458
Intergovernmental Payable	870,572
Accrued Interest Payable	127,681
Unearned Revenue	19,546
Claims Payable	292,008
Long-Term Liabilities:	
Due Within One Year	962,642
Due In More Than One Year:	
Net Pension Liability (See Note 13)	27,977,913
Other Amounts Due In More Than One Year	32,716,161
Total Liabilities	<u>65,054,550</u>
Deferred Inflows of Resources	
Property Taxes	11,427,887
Pension	5,227,243
Total Deferred Inflows of Resources	<u>16,655,130</u>
Net Position	
Net Investment in Capital Assets	51,090,251
Restricted for:	
Debt Service	5,939,600
Capital Projects	937,214
Classroom Facilities Maintenance	1,005,910
Food Service Operations	148,929
Federal Programs	358,599
State Programs	21,920
Athletic and Music Programs	144,765
Other Purposes	6,773
Unclaimed Monies	2,238
Unrestricted (Deficit)	(22,706,118)
Total Net Position	<u>\$ 36,950,081</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 11,426,625	\$ 149,179	\$ 274,652	\$ (11,002,794)
Special	3,767,066	204,287	2,134,241	(1,428,538)
Vocational	1,529,461	-	242,418	(1,287,043)
Student Intervention	3,377	-	2,026	(1,351)
Support Services:				
Pupils	1,188,769	-	63,605	(1,125,164)
Instructional Staff	936,779	-	302,241	(634,538)
Board of Education	22,556	-	-	(22,556)
Administration	2,671,863	-	672	(2,671,191)
Fiscal	1,029,414	-	519	(1,028,895)
Operation and Maintenance of Plant	3,133,518	307,521	62,912	(2,763,085)
Pupil Transportation	2,990,989	-	9,569	(2,981,420)
Central	89,215	-	-	(89,215)
Operation of Non-Instructional Services:				
Food Service Operations	1,629,384	184,731	1,083,388	(361,265)
Other Non-Instructional Services	57,074	-	74,276	17,202
Extracurricular Activities	688,359	284,377	42,646	(361,336)
Interest	1,213,359	-	-	(1,213,359)
Total Governmental Activities	\$ 32,377,808	\$ 1,130,095	\$ 4,293,165	(26,954,548)
General Revenues				
Property Taxes Levied for:				
General Purposes				11,885,551
Debt Service				2,018,051
Building Maintenance				198,046
Grants and Entitlements not Restricted to Specific Programs				14,364,661
Investment Earnings				159,622
Miscellaneous				180,406
Total General Revenues				28,806,337
Change in Net Position				1,851,789
Net Position Beginning of Year				35,098,292
Net Position End of Year				\$ 36,950,081

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Balance Sheet
Governmental Funds
June 30, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 9,103,107	\$ 5,965,618	\$ 2,513,000	\$ 17,581,725
Cash and Cash Equivalents in Segregated Accounts	-	-	530,194	530,194
Materials and Supplies Inventory	-	-	2,998	2,998
Inventory Held for Resale	-	-	11,833	11,833
Accounts Receivable	45,281	-	27,875	73,156
Interfund Receivable	89,045	-	-	89,045
Intergovernmental Receivable	35,921	-	594,934	630,855
Prepaid Items	120,775	-	3,358	124,133
Restricted Asset - Equity in Pooled Cash and Cash Equivalents	2,238	-	-	2,238
Property Taxes Receivable	10,548,844	1,919,835	177,274	12,645,953
Total Assets	19,945,211	7,885,453	3,861,466	31,692,130
Liabilities				
Accounts Payable	202,186	-	52,576	254,762
Contracts Payable	27,864	-	-	27,864
Accrued Wages and Benefits Payable	1,622,465	-	143,993	1,766,458
Interfund Payable	-	-	89,045	89,045
Intergovernmental Payable	841,952	-	28,620	870,572
Matured Compensated Absences Payable	17,398	-	-	17,398
Retirement Incentive Payable	21,545	-	-	21,545
Unearned Revenue	-	-	19,546	19,546
Total Liabilities	2,733,410	-	333,780	3,067,190
Deferred Inflows of Resources				
Property Taxes	9,535,524	1,733,352	159,011	11,427,887
Unavailable Revenue	406,515	62,353	379,991	848,859
Total Deferred Inflows of Resources	9,942,039	1,795,705	539,002	12,276,746
Fund Balances				
Nonspendable:				
Inventories	-	-	2,998	2,998
Prepaid Items	120,775	-	3,358	124,133
Unclaimed Monies	2,238	-	-	2,238
Restricted for:				
Athletic and Music Expenditures	-	-	144,765	144,765
Capital Improvements	-	-	937,214	937,214
Debt Service	-	6,089,748	-	6,089,748
Classroom Facilities Maintenance	-	-	998,526	998,526
Food Service Expenditures	-	-	115,832	115,832
State Grant Expenditures	-	-	21,920	21,920
Federal Grant Expenditures	-	-	28,466	28,466
Other Purposes	-	-	7,023	7,023
Committed to:				
Scholarships	-	-	43,532	43,532
Severance Payments	339,211	-	-	339,211
Encumbrances	214,827	-	-	214,827
Capital Improvements	-	-	701,033	701,033
Assigned to:				
Purchases on Order	211,419	-	-	211,419
Other Purposes	70,395	-	-	70,395
Unassigned (Deficit)	6,310,897	-	(15,983)	6,294,914
Total Fund Balances	7,269,762	6,089,748	2,988,684	16,348,194
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 19,945,211	\$ 7,885,453	\$ 3,861,466	\$ 31,692,130

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, 2016

Total Governmental Fund Balances \$ 16,348,194

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 83,468,056

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	449,061	
Grants	358,756	
Rent	13,106	
Customer Sales and Services	21,043	
Miscellaneous Revenue	6,893	
Total		848,859

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. (127,681)

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

School Improvement Bonds - Serial	(20,040,000)	
School Improvement Bonds - Term	(11,730,000)	
School Improvement Bonds - Capital Appreciation	(89,110)	
Accretion on Capital Appreciation Bonds	(268,680)	
Bond Premium	(594,071)	
Capital Leases	(9,444)	
Compensated Absences Payable	(947,498)	
Total		(33,678,803)

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	2,767,908	
Deferred Inflows - Pension	(5,227,243)	
Net Pension Liability	(27,977,913)	
Total		(30,437,248)

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

528,704

Net Position of Governmental Activities \$ 36,950,081

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, 2016

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 11,918,043	\$ 2,038,313	\$ 198,765	\$ 14,155,121
Intergovernmental	15,481,941	217,022	2,913,425	18,612,388
Interest	49,027	107,927	2,589	159,543
Tuition and Fees	326,530	-	-	326,530
Rentals	294,415	-	-	294,415
Extracurricular Activities	-	-	284,377	284,377
Gifts and Donations	-	-	50,368	50,368
Charges for Services	26,936	-	184,461	211,397
Miscellaneous	167,231	-	8,782	176,013
Total Revenues	28,264,123	2,363,262	3,642,767	34,270,152
Expenditures				
Current:				
Instruction:				
Regular	10,863,268	-	290,783	11,154,051
Special	2,647,934	-	1,018,803	3,666,737
Vocational	1,466,435	-	18,563	1,484,998
Student Intervention Services	-	-	3,377	3,377
Support Services:				
Pupils	1,138,254	-	64,506	1,202,760
Instructional Staff	575,970	-	307,900	883,870
Board of Education	22,771	-	-	22,771
Administration	2,545,754	-	844	2,546,598
Fiscal	917,685	78,304	7,869	1,003,858
Operation and Maintenance of Plant	2,738,379	-	183,841	2,922,220
Pupil Transportation	3,255,091	-	877	3,255,968
Central	82,940	-	5,859	88,799
Operation of Non-Instructional Services:				
Food Service Operations	-	-	1,425,645	1,425,645
Other Non-Instructional Services	1,252	-	71,370	72,622
Extracurricular Activities	369,781	-	327,988	697,769
Capital Outlay	-	-	280	280
Debt Service:				
Principal Retirement	4,400	791,061	-	795,461
Interest on Capital Appreciation Bonds	-	55,880	-	55,880
Interest and Fiscal Charges	1,169	1,141,285	-	1,142,454
Total Expenditures	26,631,083	2,066,530	3,728,505	32,426,118
Excess of Revenues Over (Under) Expenditures	1,633,040	296,732	(85,738)	1,844,034
Other Financing Source (Use)				
Transfers In	-	-	425,000	425,000
Proceeds from Sale of Capital Assets	16,945	-	-	16,945
Transfers Out	(425,000)	-	-	(425,000)
Total Other Financing Source (Use)	(408,055)	-	425,000	16,945
Net Change in Fund Balances	1,224,985	296,732	339,262	1,860,979
Fund Balances Beginning of Year	6,044,777	5,793,016	2,649,422	14,487,215
Fund Balances End of Year	\$ 7,269,762	\$ 6,089,748	\$ 2,988,684	\$ 16,348,194

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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 1,860,979

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

Governmental funds report capital outlays as expenditure:

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	779,154	
Current Year Depreciation	<u>(3,087,699)</u>	(2,308,545)

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

Proceeds from Sale of Capital Assets	(16,945)	
Loss on Disposal of Capital Assets	<u>(221,709)</u>	(238,654)

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

Delinquent Property Taxes	(53,473)	
Intergovernmental	(3,923)	
Rent	13,106	
Miscellaneous Revenue	4,393	
Gifts and Donations	(1,007)	
Charges for Services	<u>270</u>	(40,634)

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	(107,115)	
Amortization of Bond Premium	36,197	
Accrued Interest	<u>13</u>	(70,905)

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	791,061	
Capital Appreciation Bond Interest	55,880	
Capital Leases	<u>4,400</u>	851,341

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

1,657,824

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

(291,663)

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.

(96,658)

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

528,704

Change in Net Position of Governmental Activities

\$ 1,851,789

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$ 9,695,423	\$ 12,585,651	\$ 12,585,651	\$ -
Intergovernmental	15,416,465	15,681,301	15,708,939	27,638
Interest	34,000	44,500	49,027	4,527
Tuition and Fees	13,317	126,374	307,169	180,795
Rentals	7,000	259,450	264,407	4,957
Charges for Services	14,960	26,856	26,956	100
Miscellaneous	106,325	156,062	105,285	(50,777)
Total Revenues	25,287,490	28,880,194	29,047,434	167,240
Expenditures				
Current:				
Instruction:				
Regular	11,047,296	10,922,459	10,856,033	66,426
Special	2,662,633	2,655,601	2,623,060	32,541
Vocational	1,467,368	1,443,585	1,444,331	(746)
Student Intervention	-	19,000	-	19,000
Support Services:				
Pupils	1,139,043	1,203,908	1,120,667	83,241
Instructional Staff	577,353	592,271	568,970	23,301
Board of Education	22,586	24,909	21,938	2,971
Administration	2,683,470	2,697,689	2,620,090	77,599
Fiscal	936,999	938,840	919,217	19,623
Operation and Maintenance of Plant	3,103,560	3,065,488	2,934,967	130,521
Pupil Transportation	3,718,973	3,453,879	3,290,531	163,348
Central	127,501	122,322	120,396	1,926
Extracurricular Activities	245,098	247,427	241,539	5,888
Debt Service:				
Principal Retirement	4,400	4,400	4,400	-
Interest and Fiscal Charges	1,169	1,169	1,169	-
Total Expenditures	27,737,449	27,392,947	26,767,308	625,639
Excess of Revenues Over (Under) Expenditures	(2,449,959)	1,487,247	2,280,126	792,879
Other Financing Source (Uses)				
Advances In	200,000	206,387	203,257	(3,130)
Advances Out	(325,000)	(425,000)	(425,000)	-
Transfers Out	(194,690)	(194,690)	(89,045)	105,645
Total Other Financing Source (Uses)	(319,690)	(413,303)	(310,788)	102,515
Net Change in Fund Balance	(2,769,649)	1,073,944	1,969,338	895,394
Fund Balance Beginning of Year	5,432,850	5,432,850	5,432,850	-
Prior Year Encumbrances Appropriated	575,847	575,847	575,847	-
Fund Balance End of Year	\$ 3,239,048	\$ 7,082,641	\$ 7,978,035	\$ 895,394

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Fund Net Position
Proprietary Fund
June 30, 2016

	Governmental Activity
	Internal Service Fund
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 15,406
Cash and Cash Equivalents with Fiscal Agents	805,306
Total Assets	820,712
Current Liabilities	
Claims Payable	292,008
Net Position	
Unrestricted	\$ 528,704

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activity
	Internal Service Fund
Operating Revenues	
Charges for Services	\$ 3,307,183
Operating Expenses	
Purchased Services	471,599
Claims	2,306,959
Total Operating Expenses	2,778,558
Operating Income	528,625
Non-Operating Revenues	
Interest	79
Net Change in Net Position	528,704
Net Position Beginning of Year	-
Net Position End of Year	\$ 528,704

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$ 3,307,183
Cash Payments for Goods and Services	(471,599)
Cash Payments for Claims	(2,014,951)
Net Cash Provided by Operating Activities	820,633
Cash Flows from Investing Activities	
Interest	79
Net Increase in Cash and Cash Equivalents	820,712
Cash and Cash Equivalents Beginning of Year	-
Cash and Cash Equivalents End of Year	820,712
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	528,625
Changes in Liabilities:	
Increase in Claims Payable	292,008
Net Cash Used Provided by Operating Activities	\$ 820,633

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ -	\$ 103,231
Cash and Cash Equivalents in Segregated Accounts	187,055	-
Total Assets	187,055	103,231
Liabilities		
Due to Students	-	103,231
Net Position		
Held In Trust for Scholarships	\$ 187,055	

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust
Additions	
Interest	\$ 370
Deductions	
Payments in Accordance with Trust Agreements	1,000
Change in Net Assets	(630)
Net Position Beginning of Year	187,685
Net Position End of Year	\$ 187,055

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, 2016

Note 1 - Description of the School District and Reporting Entity

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

The School District is the largest in square miles in the state. It is located in Monroe County and portions of portions of Noble and Belmont Counties. The Board of Education controls the School District's ten instructional/support facilities staffed by 138 classified employees, 194 certificated full-time teaching personnel/administrative employees who provide services to 2,397 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 three insurance purchasing pools. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Regional Council of Governments (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), the Metropolitan Educational Technology Association (META), the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (GRP), the Ohio School Plan (OSP), and the Jefferson Health Plan Self-Insurance Plan. Additional information concerning these organizations is presented in Note 17.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

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

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:

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

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

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

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

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, 2016

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

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

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

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

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

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

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, 2016, but which were levied to

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

finance fiscal year 2017 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.

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 are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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

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 2016 amounted to \$49,027, of which \$14,058 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. During fiscal year 2016, the School District had no investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, 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. Inventory consists of expendable supplies held for consumption and donated and purchased commodities held for resale.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year).

Donated fixed assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District currently capitalizes land, buildings and improvements, vehicles, and furniture and equipment. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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.

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, 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. Bonds and capital leases 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. Internal Activity

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

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

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

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.

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, 2016

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 position 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. Operating Revenues and Expenses

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

S. 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. The District had no such transactions.

T. 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.

U. 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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

Note 3 - Change in Accounting Principles

For fiscal year 2016, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73."

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the School District's financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the School District's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2016, the Title I Special Revenue Fund had a deficit fund balance in the amount of \$15,920. This deficit is due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

B. Compliance

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

	Amount
Special Revenue Funds:	
Food Service	\$ 584
Athletic and Music	28,651
Miscellaneous State Grants	1,579
Miscellaneous Federal Grants	16,459
Title I	1,385
Vocational Education	246
Bond Retirement Debt Service Fund	\$ 78,050

Contrary to section 5705.39, Revised Code, the IDEA Part B, Improving Teacher Quality State Grants, Title I-Disadvantaged Children, Miscellaneous State Grants, Miscellaneous Federal Grants, Vocational Education, Title I – School Improvement funds had appropriations exceeding estimated resources at fiscal year-end in the amounts of \$8,436, \$18,556, \$43,363, \$10,326, \$42,988, \$16,084 and \$33,851, respectively.

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.
7. Budgetary revenues and expenditures of the Public School Support Fund and the Severance Funds are reclassified to the General Fund for GAAP reporting.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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	\$1,224,985
Net Adjustment for Revenue Accruals	814,680
Fiscal Year 2016 Unreported Cash	(16,954)
Fiscal Year 2015 Unreported Cash	49,237
Fiscal Year 2016 Prepaid Items	(120,775)
Fiscal Year 2015 Prepaid Items	74,386
Net Adjustment for Expenditure Accruals	479,131
To reclassify revenues over expenditures into financial statement fund types	30,040
Advances In	203,257
Advances Out	(89,045)
Encumbrances	(679,604)
Budget Basis	<u><u>\$1,969,338</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories. Active deposits are public deposits necessary to be necessary to meet current demands on the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) and (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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

At June 30, 2016, the School District's Internal Service Fund had a balance of \$805,306 with Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool (see Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the Jefferson Health Plan Self-Insurance Plan as a whole may be obtained by the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the federal deposit insurance corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, the School District's bank balance of \$18,558,549 was not exposed to custodial credit risk.

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, 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 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, 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, 2016 are available to finance fiscal year 2016 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, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources for property taxes not levied to finance current year operations.

The amount available as an advance, and recognized as revenue at June 30, 2016, was \$632,943 in the General Fund, \$11,932 in the Classroom Facilities Maintenance Special Revenue Fund, and \$124,130 in the Bond Retirement Debt Service Fund. At June 30, 2015, \$1,300,551 was available as an advance in the General Fund, \$21,743 was available in the Classroom Facilities Maintenance Special Revenue Fund, and \$252,714 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 2016 taxes were collected are:

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$299,964,850	71.38%	\$340,920,880	68.12%
Public Utility Personal	120,285,810	28.62%	159,576,430	31.88%
Total	<u>\$420,250,660</u>	<u>100.00%</u>	<u>\$500,497,310</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.30		\$40.40	

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 8 - Receivables

Receivables at June 30, 2016, 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 \$449,061, may not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Title I Grants	\$293,000
Title II-A Grant	92,663
Special Education Part B IDEA	49,504
Secondary Grant	16,129
Title VI-B	28,618
SERS Overfunding	0
Straight A Credentialing	11,384
Food Service Breakfast and Lunch Reimbursements	115,020
Medicaid Reimbursements	2,639
Foundation Adjustments	19,361
Miscellaneous Receivables	2,537
Total	\$630,855

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Nondepreciable Capital Assets				
Land	\$1,041,648	\$0	\$0	\$1,041,648
Depreciable Capital Assets				
Buildings and Improvements	94,188,037	280	0	94,188,317
Vehicles	4,437,252	752,774	(741,749)	4,448,277
Furniture and Equipment	2,513,616	26,100	0	2,539,716
Total Capital Assets Being Depreciated	101,138,905	779,154	(741,749)	101,176,310
Less Accumulated Depreciation:				
Buildings and Improvements	(12,294,974)	(2,614,282)	0	(14,909,256)
Vehicles	(2,489,228)	(233,571)	503,095	(2,219,704)
Furniture and Equipment	(1,381,096)	(239,846)	0	(1,620,942)
Total Accumulated Depreciation	(16,165,298)	(3,087,699) *	503,095	(18,749,902)
Total Capital Assets Being Depreciated, Net	84,973,607	(2,308,545)	(238,654)	82,426,408
Governmental Activities Capital Assets, Net	\$86,015,255	(\$2,308,545)	(\$238,654)	\$83,468,056

* Depreciation expense was charged to governmental functions as follows:

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Instruction:	
Regular	\$941,441
Special	346,909
Vocational	191,608
Support Services:	
Pupils	83,621
Instructional Staff	86,100
Administration	273,875
Fiscal	41,490
Operation and Maintenance of Plant	284,688
Pupil Transportation	598,091
Food Service Operations	238,049
Central	647
Operation of Non-Instructional Services	1,180
Total Governmental Depreciation	<u><u>\$3,087,699</u></u>

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:	
Miscellaneous Local Grants	\$4,445
Title I	33,000
Title VI-B	6,500
Miscellaneous Federal Grants	45,100
Total	<u><u>\$89,045</u></u>

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

B. Interfund Transfers

The General Fund transferred money to the Food Service Special Revenue Fund and the Permanent Improvement Capital Projects Fund in the amounts of \$275,000 and \$150,000, 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. Workers' Compensation

The School District participates in the Ohio SchoolComp Workers' Compensation Group Retrospective Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

B. Employee Medical Benefits

During fiscal year 2016, the School District became a member of the Jefferson Health Plan Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

All employees were offered coverage for medical/surgical and prescription drug coverage through the Jefferson Health Plan self-insured plan. The Board pays 90 percent of premiums for all medical/surgical and prescription drug coverage which is \$670.73 for single coverage and \$1,884.75 for family coverage.

The claims liability of \$292,008 reported in the internal service fund at June 30, 2016, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The change in claims activity for the past fiscal year is as follows:

Year	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2016	\$0	\$2,306,959	\$2,014,951	\$292,008

C. 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 2016, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool, for insurance coverage. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 17) The types and amounts of coverage are as follows:

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

<u>Ohio School Plan</u>	
General Liability - no deductible	
Bodily Injury, Property Damage, and Sexual Abuse - each occurrence	\$2,000,000
Law Enforcement Liability	Included
Personal and Advertising Injury - each occurrence	\$2,000,000
General Aggregate Limit	\$4,000,000
Products - Completed Operations Aggregate Limit	\$4,000,000
Fire Damage Limit	\$500,000
Medical Expense - any one person/any one accident	\$10,000/\$10,000
Employers' Liability (Ohio Stop Gap) - no deductible	
Bodily Injury by Accident	\$2,000,000
Bodily Injury by Disease/each employee	\$2,000,000/\$2,000,000
Fiduciary Liability - \$2,500 deductible	
Each Fiduciary Claim Limit	\$2,000,000
Aggregate Limit	\$4,000,000
Legal Liability - \$5,000 deductible	
Errors and Omissions	\$2,000,000
Aggregate Limit	\$4,000,000
Employment Practices Injury Limit	\$2,000,000
Aggregate Limit	\$4,000,000
Declaratory, Equitable, and Injunctive Relief Defense	\$100,000
Violence Coverage	
Plan Aggregate Limit	\$5,000,000
Aggregate Limit	\$1,000,000
Violent Act Limit	\$1,000,000
Death Benefit Aggregate Limit	\$1,000,000
EMT Charges Aggregate Limit	\$5,000
Medical Expenses Aggregate Limit	\$25,000
Travel Expenses Aggregate Limit	\$25,000
Automobile Coverage - \$250-\$1,000 deductible	
Bodily Injury Liability and Property Damage Liability	\$2,000,000
Uninsured/Underinsured Motorists	\$1,000,000
Medical Payments	\$5,000
Comprehensive	Actual Cash Value
Collision	Actual Cash Value
Garagekeepers	\$50,000
Property Damage - \$1,000 deductible	
Property Coverage	\$111,768,831
Business Interruption and Rental Income	\$250,000
Extra Expense Limit	\$1,000,000
Boiler and Machinery Breakdown	\$100,000,000
Crime Coverage - \$1,000 deductible	
Employee Theft, Forgery, Computer Fraud, Funds Transfer	\$100,000 each
Theft	\$10,000
<u>Ohio Farmers Insurance Company</u>	
Superintendent Bond	\$20,000
<u>Star Company</u>	
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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is limited to 260 days for classified employees and 270 days for certified employees. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation.

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

The School District has contracted with Vision Service Plan to provide employee vision benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for vision benefits which is \$8.38 for single coverage and \$18.97 for family coverage. For fiscal year 2016, 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 (see compensated absences).

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.

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 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.

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$443,910 for fiscal year 2016. Of this amount \$33,598 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.

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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of 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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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. For the year ended June 20, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,213,914 for fiscal year 2016. Of this amount, \$156,100 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.09934200%	0.08418490%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.09828170%</u>	<u>0.08094150%</u>	
Change in Proportionate Share	<u>-0.00106030%</u>	<u>-0.00324340%</u>	
Proportionate Share of the Net Pension Liability	\$5,608,049	\$22,369,864	\$27,977,913
Pension Expense	\$340,047	(\$48,384)	\$291,663

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

At June 30, 2016, 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>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$90,300	\$1,019,784	\$1,110,084
School District contributions subsequent to the measurement date	<u>443,910</u>	<u>1,213,914</u>	<u>1,657,824</u>
Total Deferred Outflows of Resources	<u>\$534,210</u>	<u>\$2,233,698</u>	<u>\$2,767,908</u>
Deferred Inflows of Resources			
Differences between expected and actual earnings on pension plan investments	\$185,813	\$1,608,816	\$1,794,629
Changes in proportionate share and difference between School District contributions and proportionate share of contributions	<u>48,275</u>	<u>3,384,339</u>	<u>3,432,614</u>
Total Deferred Inflows of Resources	<u>\$234,088</u>	<u>\$4,993,155</u>	<u>\$5,227,243</u>

\$1,657,824 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, 2017. 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:			
2017	(\$82,902)	(\$1,428,667)	(\$1,511,569)
2018	(82,902)	(1,428,667)	(1,511,569)
2019	(83,329)	(1,428,666)	(1,511,995)
2020	<u>105,345</u>	<u>312,629</u>	<u>417,974</u>
Total	<u>(\$143,788)</u>	<u>(\$3,973,371)</u>	<u>(\$4,117,159)</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.

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, 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 an arithmetic 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.

<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	<u>15.00</u>	7.50
Total	<u><u>100.00 %</u></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.

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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	\$7,776,349	\$5,608,049	\$3,782,162

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class.

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 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

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	\$31,073,427	\$22,369,864	\$15,009,702

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, 2016 there was one employee 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 under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. 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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016, no allocation 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 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$51,452.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$51,452, \$78,538, and \$73,724, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

B. State Teachers Retirement System

Plan Description - The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting 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 discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years ended June 30, 2016 and June 30, 2015, STRS Ohio 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, 2016, 2015, and 2014 were \$0, \$0, and \$87,800, respectively. The full amount has been contributed for fiscal years 2016, 2015, and 2014.

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 \$7,305 at June 30, 2016. Principal payments toward all capital leases during fiscal year 2016 totaled \$4,400.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$4,846	\$722	\$5,568
2018	4,030	268	4,298
2019	568	14	582
Totals	\$9,444	\$1,004	\$10,448

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 16 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2016 were as follows:

	Outstanding 06/30/15	Additions	Reductions	Outstanding 06/30/16	Amounts Due Within One Year
Governmental Activities					
2009 School Improvement Bonds:					
Qualified School Construction Serial Bonds - 1.65% - \$10,000,000	\$7,681,941	\$0	(\$781,941)	\$6,900,000	\$775,000
Tax-Exempt Serial Bonds - 2.00% - 3.30% - \$30,000	10,000	0	(5,000)	5,000	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%	107,571	33,241	0	140,812	0
Bond Premium	97,869	0	(13,049)	84,820	0
Total 2009 School Improvement Bonds	8,367,380	33,241	(799,990)	7,600,631	780,000
2013 School Improvement Bonds:					
Current Interest Refunding Serial Bonds - 3.00% - 5.00% - \$13,135,000	13,135,000	0	0	13,135,000	0
Current Interest Refunding Term Bonds - 4.00% - \$11,325,000	11,325,000	0	0	11,325,000	0
Capital Appreciation Refunding Bonds - .801% - 3.10% - \$40,000	28,231	0	(4,120)	24,111	3,980
Capital Appreciation Bonds Accretion - \$575,000 - .80%-3.10%	109,874	73,874	(55,880)	127,868	56,020
Bond Premium	532,399	0	(23,148)	509,251	0
Total 2013 School Improvement Bonds	25,130,504	73,874	(83,148)	25,121,230	60,000
Capital Leases	13,844	0	(4,400)	9,444	4,846
Net Pension Liability:					
STRS	20,476,682	1,893,182	0	22,369,864	
SERS	5,027,643	580,406	0	5,608,049	
Total Net Pension Liability	25,504,325	2,473,588	0	27,977,913	0
Compensated Absences	850,840	237,469	(140,811)	947,498	117,796
Total Long-Term Obligations	\$59,866,893	\$2,818,172	(\$1,028,349)	\$61,656,716	\$962,642

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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
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	765,000	165,000	930,000
2022-2025	3,060,000	577,500	3,637,500
Totals	\$6,900,000	\$1,402,500	\$8,302,500

During fiscal year 2010, the School District issued \$24,999,999 in School Improvement Bonds. The issue consisted of tax exempt bonds (serial, term, and capital appreciation) and Build America Bonds (BABs). The bonds were issued for the purpose of repaying outstanding bond anticipation notes issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, building demolition, other site improvements, and all appurtenances thereto. The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009. During fiscal year 2013, the Build America Bonds (BABs) portion, in the amount of \$24,500,000, was current refunded. The non-refunded portion of the total issuance has remaining premium in the amount of \$97,869 that will be amortized over the remaining life of the bonds. The amount amortized for 2016 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 2016 accretion was \$33,241 resulting in a total bond liability of \$205,811.

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, 2016

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
2017	\$5,000	\$16,283	\$21,283
2023	405,000	24,400	429,400
Totals	<u>\$410,000</u>	<u>\$40,683</u>	<u>\$450,683</u>

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

Fiscal Year Ending June 30,	Principal	Accretion	Total
2018	\$13,342	\$41,658	\$55,000
2019	15,261	59,739	75,000
2020	17,068	82,932	100,000
2021	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.

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 2016 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 in order to obtain an economic gain of \$670,909.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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
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	0	959,844	959,844
2022-2026	1,900,000	4,742,370	6,642,370
2027-2031	7,530,000	3,836,009	11,366,009
2032-2036	10,110,000	2,044,125	12,154,125
2037-2038	4,920,000	199,200	5,119,200
Totals	<u>\$24,460,000</u>	<u>\$15,620,924</u>	<u>\$40,080,924</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

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

For fiscal year 2016, \$73,874 was accreted, and after the current year retirement of \$60,000, the remaining capital appreciation bond liability is \$151,979.

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

Fiscal Year Ending June 30,	Principal	Accretion	Total
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	3,266	56,734	60,000
2022-2023	5,902	114,098	120,000
Totals	<u>\$24,111</u>	<u>\$395,889</u>	<u>\$420,000</u>

The overall debt margin of the School District as of June 30, 2016, was \$45,013,028, with an unvoted debt margin of \$500,145.

Net Pension Liability

The School District pays obligations related to employee compensation from the fund benefitting from their service. For more information on the net pension liability, see Note 13.

Compensated Absences

Compensated absences will be paid from the General Fund.

Note 17 - Jointly Governed Organizations and Insurance Purchasing Pools

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 2016, the amount paid to OME-RESA from the School District was \$132,611 for technology, internet access, financial accounting services, cooperative purchasing, and educational management information. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Education Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

The **Coalition of Rural and Appalachian Schools (CORAS)** is a jointly governed organization composed of 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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016. 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 2016, the School District made a payment of \$493 to META for a membership fee. Financial information may be obtained from Scott Armstrong, CFO, 100 Executive Drive, Marion, Ohio 43302.

B. Insurance Purchasing Pools

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

The GRP, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The GRP created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers' compensation coverage than they would individually. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The GRP's third part administrator (TPA), CompManagement, Inc., provides administrative, cost control, and actuarial services to the GRP. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group. During fiscal year 2016, the School District paid \$3,005 in enrollment fees to the GRP.

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales, and marketing.

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

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

Note 18 - Contingencies

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, 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 fiscal year 2015, 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, 2016 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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016 but did not request a waiver of the set-aside requirement for fiscal year 2016.

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

	Capital Improvements
Set-aside reserve balance as of June 30, 2015	\$0
Current year set-aside requirement	385,862
Current year qualifying expenditures	(1,025,940)
Current year offsets	(376,961)
Total	(\$1,017,039)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside reserve balance as of June 30, 2016	\$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 \$19,360,411.

Note 20 - Significant Commitments

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:

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

<u>Governmental Funds</u>	
General Fund	\$681,529
Other Governmental Funds	<u>159,863</u>
Total All Governmental Funds	<u><u>\$841,392</u></u>

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 2020, and 2021 of the projection. The Board of Education has presented a plan to address this deficit to the Ohio Department of Education. The School District continues to be in a state of "Fiscal Caution".

Note 22 - Subsequent Event

On December 9, 2016, the School District agreed to a settlement of the remainder of the superintendent's employment contract. The case was settled and an Agreed Order of Dismissal with Prejudice was prepared and agreed upon by the parties involved.

**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 Three Fiscal Years (1) **

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.09828170%	0.09934200%	0.09934200%
School District's Proportionate Share of the Net Pension Liability	\$ 5,608,049	\$ 5,027,643	\$ 5,907,550
School District's Covered Payroll	\$ 2,951,914	\$ 2,885,029	\$ 2,817,863
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.98%	174.27%	209.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 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 Three Fiscal Years (1) **

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.08094150%	0.08418490%	0.09933820%
School District's Proportionate Share of the Net Pension Liability	\$ 22,369,864	\$ 20,476,682	\$ 28,782,198
School District's Covered Payroll	\$ 8,490,007	\$ 8,292,069	\$ 9,812,423
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	263.48%	246.94%	293.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) Information prior to 2014 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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually Required Contribution	\$ 443,910	\$ 389,062	\$ 399,865	\$ 389,992	\$ 397,970	\$ 411,582	\$ 422,591	\$ 299,788	\$ 269,184	\$ 304,386
Contributions in Relation to the Contractually Required Contribution	<u>(443,910)</u>	<u>(389,062)</u>	<u>(399,865)</u>	<u>(389,992)</u>	<u>(397,970)</u>	<u>(411,582)</u>	<u>(422,591)</u>	<u>(299,788)</u>	<u>(269,184)</u>	<u>(304,386)</u>
Contribution Deficiency (Excess)	<u>-</u>									
School District Covered Payroll	\$ 3,170,786	\$ 2,951,914	\$ 2,885,029	\$ 2,817,863	\$ 2,958,882	\$ 3,274,320	\$ 3,121,057	\$ 3,046,623	\$ 2,741,179	\$ 2,850,056
Contributions as a Percentage of Covered Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$ 1,213,914	\$ 1,188,601	\$ 1,077,969	\$ 1,275,615	\$ 1,341,299	\$ 1,341,300	\$ 1,410,565	\$ 1,355,578	\$ 1,230,452	\$ 1,281,887
Contributions in Relation to the Contractually Required Contribution	<u>(1,213,914)</u>	<u>(1,188,601)</u>	<u>(1,077,969)</u>	<u>(1,275,615)</u>	<u>(1,341,299)</u>	<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>
Contribution Deficiency (Excess)	<u>-</u>									
School District Covered Payroll	\$ 8,670,814	\$ 8,490,007	\$ 8,292,069	\$ 9,812,423	\$ 10,317,685	\$ 10,317,692	\$ 10,850,500	\$ 10,427,523	\$ 9,465,015	\$ 9,860,669
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	13.00%	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 EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE Passed Through Ohio Department of Education				
<i>Child Nutrition Cluster</i>				
School Breakfast Program	10.553	N/A	\$ 377,641	\$ -
National School Lunch Program	10.555	N/A	462,155	63,248
<i>Total Child Nutrition Cluster</i>			839,796	63,248
Total U.S. Department of Agriculture			839,796	63,248
U.S. DEPARTMENT OF EDUCATION Passed Through Ohio Department of Education				
<i>Title I</i>				
Title I Grants to Local Education Agencies	84.010	2015	117,445	-
Title I Grants to Local Education Agencies	84.010	2016	569,117	-
School Improvement Sub A. Title I	84.010	2015	26,932	-
School Improvement Sub A. Title I	84.010	2016	98,499	-
<i>Total Title I</i>			811,993	
<i>Special Education Cluster</i>				
Special Education Grants to States - IDEA Part B	84.027	2015	77,372	-
Special Education Grants to States - IDEA Part B	84.027	2016	497,952	-
<i>Total Special Education Cluster</i>			575,324	-
<i>Career and Technical Education</i>				
Career and Technical Education Basic Grants to States	84.048	2015	17,250	-
Career and Technical Education Basic Grants to States	84.048	2016	33,702	-
<i>Total Career and Technical Education</i>			50,952	-
<i>Rural Education</i>				
Rural Education	84.358	2015	27,877	-
Rural Education	84.358	2016	21,608	-
<i>Total Rural Education</i>			49,485	-
<i>Improving Teacher Quality State Grants</i>				
Improving Teacher Quality State Grants	84.367	2015	65,997	-
Improving Teacher Quality State Grants	84.367	2016	201,820	-
<i>Total Improving Teacher Quality State Grants</i>			267,817	-
Total U.S. Department of Education			1,755,571	-
Total Expenditures of Federal Awards			\$ 2,595,367	\$ 63,248

The accompanying notes are an integral part of this schedule.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONORE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Switzerland of Ohio Local School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – 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 D – FOOD DONATION PROGRAM

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

**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 School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 28, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 24, 2017.

Entity's Responses to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School 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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.

February 24, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Switzerland of Ohio Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Switzerland of Ohio Local School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each 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 major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Charles E. Harris & Associates, Inc.
February 24, 2017

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control 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 weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – CFDA #10.555, #10.553 Special Education Cluster, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS - CONTINUED
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Finding Number 2016-001 – Material Noncompliance

Budgetary Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) requires that budgetary expenditures (actual expenditures plus encumbered amounts at year end) shall not exceed appropriations. During fiscal year 2016, budgetary expenditures exceeded appropriation authority in the following Funds: Athletic and Music, \$28,651; Miscellaneous State Grants, \$1,579; Vocation Education, \$246; Title I Disadvantage Children, \$1,385; Bond Retirement, \$78,050; Food Service, \$584 and Miscellaneous Federal Grants Fund, \$16,459 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 76 for response.

Finding Number 2016-002 – Material Noncompliance

Appropriations in Excess of Estimated Resources

Ohio Rev. Code Section 5705.39 requires, in part, that total appropriations from each fund shall not exceed the total estimated resources. During fiscal year 2016, appropriations exceeded estimated resources at year end in the following funds: Miscellaneous State Grants, \$10,326; IDEA Part B Grants, \$8,436; Vocational Education, \$16,084; Title I School Improvement A, \$33,851; Title I Disadvantage Children, \$43,363; Improving Teacher Quality, \$18,556; and Miscellaneous Federal Grant, \$42,988.

We recommend that the District monitor its budget closely to prevent appropriations from exceeding estimated resources in any fund. We also recommend that the District certify additional estimated resources to the County Auditor, if necessary.

Management's Response: See Corrective Action Plan on page 76 for response.

3. FINDINGS FOR FEDERAL AWARDS

None.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2015-001	Budgetary Expenditures in Excess of Appropriations	No	Reissued as finding 2016-001
2015-002	Attendance Reporting	Yes	Finding No Longer Valid. Reported correctly in 2016.
2015-003	Incomplete Schedule of Federal Awards Expenditures	Yes	Finding No Longer Valid. Federal schedule accurately reported in 2016.
2015-004	Paid Lunch Equity Calculation	Yes	Finding No Longer Valid. Calculations correct.
2015-005	Reporting	Yes	Finding No Longer Valid. Performance reports submitted timely.

**SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
 MONROE COUNTY
 CORRECTIVE ACTION PLAN
 2 CFR § 200.511(c)
 JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The District will monitor its budget more closely to prevent our expenditures from exceeding our appropriations.	Immediately	Lance Erlwein, Treasurer
2016-002	The District will monitor its budget more closely to prevent our expenditures from appropriations exceeding our estimated resources.	Immediately	Lance Erlwein, Treasurer



Dave Yost • Auditor of State

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 18, 2017