



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio, as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

As described in Note 3, the School District changed its capitalization criteria for capital assets from \$1,000 to \$1,500.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2004, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as whole.



Betty Montgomery
Auditor of State

April 2, 2004

**Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited**

The discussion and analysis of the Switzerland of Ohio Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2003 are as follows:

- In total, net assets of governmental activities increased \$1,792,768.
- General revenues accounted for \$19,755,998 in revenue or 78.8 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,308,934 or 21.2 percent of total revenues of \$25,064,932.
- Total assets of governmental activities increased by \$1,158,599. The majority of this increase is shown from capital assets increasing by \$429,294 as a result of additions exceeding depreciation in the current year. In addition, cash and cash equivalents increased by \$672,567 from fiscal year 2002 due to conservative spending by the School District.
- The School District had \$23,272,164 in expenses related to governmental activities; only \$5,308,934 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental revenues) of \$19,755,998 were adequate enough to provide for these programs.
- The School District's only major fund is the General Fund. The General Fund had \$19,662,073 in revenues and \$18,411,101 in expenditures. The General Fund's balance increased \$1,250,972.

Using this Basic Financial Statements 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 provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* 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 non-major funds presented in total in one column. In the case of Switzerland of Ohio Local School District, the General Fund is the only major fund.

**Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited**

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities, 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 2002-2003 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* 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 assets* and changes in those assets. This change in net assets 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 Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, extracurricular activities, and debt service.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. 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 only major governmental fund is the General 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 governmental 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 Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited**

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

**Table I
Net Assets**

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Assets		
Current and Other Assets	\$13,544,358	\$12,815,053
Capital Assets	8,695,403	8,266,109
Total Assets	<u>22,239,761</u>	<u>21,081,162</u>
Liabilities		
Long-Term Liabilities	(1,975,513)	(1,669,276)
Other Liabilities	(9,631,215)	(10,571,621)
Total Liabilities	<u>(11,606,728)</u>	<u>(12,240,897)</u>
Net Assets		
Invested in Capital Assets, Net of Debt	8,680,389	8,108,267
Restricted	550,880	980,259
Unrestricted	1,401,764	(248,261)
Total Net Assets	<u><u>\$10,633,033</u></u>	<u><u>\$8,840,265</u></u>

Total assets increased \$1,158,599. As stated earlier, capital assets increased by \$429,294. This is a result of capital asset additions exceeding depreciation in the current year. Cash and cash equivalents increased by \$672,567 due to conservative spending efforts on the part of the School District. There were also slight increases in taxes receivable, intergovernmental receivables, and prepaid items.

In total, liabilities decreased by \$634,169. The School District retired an Energy Conservation Loan during the year in the amount of \$135,000. Also, deferred revenue decreased by \$1,101,662 due to the timing of grant revenue and the amount of taxes available as an advance at June 30, 2003. There were also slight decreases in special termination benefits payable and matured compensated absences payable.

Net assets increased \$1,792,768. The biggest change in net assets is reflected in the General Fund where unrestricted net assets increased by \$1,650,025. Most of this increase is due to all of the reasons stated above. In summary, the increase in the General Fund's assets exceeded the increase in its liabilities from the prior year.

**Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited**

Table 2 shows the changes in net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

**Table 2
Changes in Net Assets**

Revenues	<u>Governmental Activities</u>
	<u>2003</u>
Program Revenues	
Charges for Services	\$713,286
Operating Grants, Contributions, and Interest	4,480,035
Capital Grants and Contributions	115,613
	<u>5,308,934</u>
General Revenue	
Property Taxes	9,737,091
Grants and Entitlements	9,579,198
Investment Earnings	73,655
Miscellaneous	366,054
	<u>19,755,998</u>
Total Revenues	<u>25,064,932</u>
 Program Expenses	
Instruction	
Regular	8,160,934
Special	2,599,483
Vocational	2,024,443
Adult/Continuing	52,663
Other	597,274
Support Services	
Pupils	675,725
Instructional Staff	978,898
Board of Education	17,705
Administration	1,934,232
Fiscal	645,322
Operation and Maintenance of Plant	1,833,828
Pupil Transportation	2,152,873
Central	73,735
Operation of Non-Instructional Services	
Food Service Operations	872,664
Other	73,586
Extracurricular Activities	571,744
Interest and Fiscal Charges	7,055
Total Expenses	<u>23,272,164</u>
Increase in Net Assets	1,792,768
Net Assets Beginning of Year (See Note 3)	8,840,265
Net Assets End of Year	<u><u>\$10,633,033</u></u>

**Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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 38.8 percent of revenues for governmental activities for Switzerland of Ohio Local School District in fiscal year 2003.

Despite the School District receiving additional short-term revenues from the passage of House Bill 95, the School District operates on a very tight budget, revenue sources are not projected to keep pace with inflation, creating possible operating deficits in the future. Enrollment is also a factor in the finances of the School District, with enrollment declining in all but one of the last thirty years. In addition, the School District has a net loss of approximately \$370,000 on open enrollment in fiscal year 2003, which represents approximately \$182,000 in local tax dollars going to other school districts.

The Statement of Activities shows the cost of program services and the charges for services, 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. Comparisons between fiscal year 2002 and 2003 is not possible due to the unavailability of fiscal year 2002 information.

**Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited**

**Table 3
Governmental Activities**

	2003 Total Cost of Services	2003 Net Cost of Services
Program Expenses		
Instruction:		
Regular	\$8,160,934	\$7,355,989
Special	2,599,483	636,267
Vocational	2,024,443	1,651,691
Adult/Continuing	52,663	13,633
Other	597,274	535,971
Support Services:		
Pupils	675,725	557,607
Instructional Staff	978,898	562,246
Board of Education	17,705	17,705
Administration	1,934,232	1,825,357
Fiscal	645,322	645,322
Operation and Maintenance of Plant	1,833,828	1,824,227
Pupil Transportation	2,152,873	1,928,262
Central	73,735	64,231
Operation of Non-Instructional Services		
Food Service Operations	872,664	47,700
Other	73,586	4,990
Extracurricular Activities	571,744	284,977
Interest and Fiscal Charges	7,055	7,055
Totals	<u>\$23,272,164</u>	<u>\$17,963,230</u>

Instructional programs comprise approximately 57 percent of total governmental program expenses. Of the instructional expenses, approximately 61 percent is for regular instruction, 19 percent for special instruction, and 20 percent for vocational, adult/continuing and other instructions.

The dependence upon tax revenues and state subsidies for governmental activities is apparent, with 78.8 percent of the School District's activities being supported through taxes and other general revenues.

The School District Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,188,445 and expenditures of \$23,390,359. The net change in fund balance for the year was most significant in the General Fund, an increase of \$1,250,972. The change in the remaining governmental funds reflected a decrease of \$452,886.

**Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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.

During the course of fiscal year 2003, the School District amended its General Fund appropriations and the budgetary statement reflects both the original and final appropriated amounts.

For the General Fund, budget basis revenues were \$948,565 above final estimates of \$18,418,268. Of this difference, most was due to conservative tax estimates, based on the County Auditor's Certification, and conservative state funding estimates.

The School District's ending un-obligated general fund balance was \$2,554,918.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the School District had \$8,695,403 invested in land, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2003 balances compared to 2002.

**Table 4
Capital Assets at June 30
(Net of Depreciation)**

	<u>Government Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$678,604	\$678,604
Buildings and Improvements	5,086,463	4,859,753
Furniture and Equipment	1,177,832	1,127,538
Vehicles	<u>1,752,504</u>	<u>1,600,214</u>
Totals	<u><u>\$8,695,403</u></u>	<u><u>\$8,266,109</u></u>

See Note 9 for more detailed information of the School District's capital assets.

Debt

The School District had a capital leases outstanding at June 30, 2003 in the amount of \$15,014 with \$9,172 due in one year. See Note 17 for more detailed information about the School District's debt.

**Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited**

Set-asides

For fiscal year 2003, Ohio Law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2003, this amounted to \$392,834 for each set aside. For fiscal year 2003, the School District had qualifying disbursements or offsets exceeding the \$392,834 requirement for textbooks and capital maintenance. See Note 21 for additional information about the School District's set-asides.

Economic Factors

Switzerland of Ohio Local School District ended fiscal year 2003 with a positive cash flow. Currently we are fiscally healthy but there are some uncontrollable variables that will affect future revenues. Some of these include the elimination of the three year averaging for ADM, accelerated phase out of personal property tax on inventory, state deduction for fees from rollback and homestead funds, loss of 5 percent for vocational students, reduction of bus subsidy by 52 percent and the exodus of students to other school districts through open enrollment due to our financial inability to offer educational facilities that are comparable to surrounding school districts who the State of Ohio funds at a higher level for facilities.

Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to maintain the financial stability of the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, 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 any questions about this report or need additional financial information contact Kevin Robertson, Treasurer at Switzerland of Ohio Local School District, 304 Mill Street, Woodsfield, Ohio, 43793, or e-mail at sw_kevin@omeresanet.net.

Switzerland of Ohio Local School District, Ohio
Statement of Net Assets
June 30, 2003

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,945,364
Accounts Receivable	4,786
Intergovernmental Receivable	307,765
Materials and Supplies Inventory	1,392
Inventory Held for Resale	6,396
Prepaid Items	64,197
Property Taxes Receivable	9,214,458
Nondepreciable Capital Assets	678,604
Depreciable Capital Assets, Net	8,016,799
Total Assets	<u>22,239,761</u>
Liabilities	
Accounts Payable	205,983
Accrued Wages and Benefits Payable	1,929,233
Intergovernmental Payable	616,293
Special Termination Benefits Payable	30,648
Deferred Revenue	6,849,058
Long-Term Liabilities:	
Due Within One Year	303,247
Due In More Than One Year	1,672,266
Total Liabilities	<u>11,606,728</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	8,680,389
Restricted for:	
Capital Projects	466,101
Other Purposes	84,779
Unrestricted	1,401,764
Total Net Assets	<u><u>\$10,633,033</u></u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2003

		Program Revenues			Net Revenue (Expense) and Change in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$8,160,934	\$57,565	\$747,380		(\$7,355,989)
Special	2,599,483		1,963,216		(636,267)
Vocational	2,024,443	30,011	342,741		(1,651,691)
Adult/Continuing	52,663		39,030		(13,633)
Other	597,274		61,303		(535,971)
Support Services:					
Pupils	675,725		118,118		(557,607)
Instructional Staff	978,898		416,652		(562,246)
Board of Education	17,705				(17,705)
Administration	1,934,232		108,875		(1,825,357)
Fiscal	645,322				(645,322)
Operation and Maintenance of Plant	1,833,828	570	9,031		(1,824,227)
Pupil Transportation	2,152,873		108,998	115,613	(1,928,262)
Central	73,735		9,504		(64,231)
Operation of Non-Instructional Services:					
Food Service Operations	872,664	338,373	486,591		(47,700)
Other Non-Instructional Services	73,586		68,596		(4,990)
Extracurricular Activities	571,744	286,767			(284,977)
Interest	7,055				(7,055)
Total Governmental Activities	\$23,272,164	\$713,286	\$4,480,035	\$115,613	(17,963,230)
General Revenues					
Property Taxes Levied for:					
General Purposes					9,011,430
Capital Outlay					725,661
Grants and Entitlements not Restricted to Specific Programs					9,579,198
Investment Earnings					73,655
Miscellaneous					366,054
Total General Revenues					19,755,998
Change in Net Assets					1,792,768
Net Assets Beginning of Year (See Note 3)					8,840,265
Net Assets End of Year					\$10,633,033

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,937,634	\$899,534	\$3,837,168
Materials and Supplies Inventory		1,392	1,392
Inventory Held for Resale		6,396	6,396
Accounts Receivable	1,245	3,541	4,786
Interfund Receivable	104,364		104,364
Due From Other Funds	16,194	7,237	23,431
Intergovernmental Receivable		307,765	307,765
Prepaid Items	64,197		64,197
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	108,196		108,196
Property Taxes Receivable	8,493,803	720,655	9,214,458
Total Assets	\$11,725,633	\$1,946,520	\$13,672,153
Liabilities			
Accounts Payable	\$130,282	\$75,701	\$205,983
Accrued Wages and Benefits Payable	1,599,312	329,921	1,929,233
Interfund Payable		104,364	104,364
Due to Other Funds	7,237	16,194	23,431
Intergovernmental Payable	376,909	72,690	449,599
Special Termination Benefits Payable	15,324		15,324
Deferred Revenue	7,719,227	807,635	8,526,862
Total Liabilities	9,848,291	1,406,505	11,254,796
Fund Balances			
Reserved for Encumbrances	216,110	370,635	586,745
Reserved for Unclaimed Monies	2,021		2,021
Reserved for Budget Stabilization	108,196		108,196
Reserved for Property Taxes	774,576	59,122	833,698
Unreserved:			
Undesignated, Reported in:			
General Fund	776,439		776,439
Special Revenue Funds		69,166	69,166
Capital Projects Funds		41,092	41,092
Total Fund Balances	1,877,342	540,015	2,417,357
Total Liabilities and Fund Balances	\$11,725,633	\$1,946,520	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 8,695,403

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	1,531,702	
Grants	<u>146,102</u>	1,677,804

Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (166,694)

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

Compensated Absences	(1,960,499)	
Capital Leases	(15,014)	
Special Termination Benefits	<u>(15,324)</u>	(1,990,837)

Net Assets of Governmental Activities \$10,633,033

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$8,250,604	\$661,080	\$8,911,684
Intergovernmental	10,927,552	3,193,990	14,121,542
Interest	72,451	3,428	75,879
Tuition and Fees	57,565	38,193	95,758
Extracurricular Activities	14,782	233,792	248,574
Rentals	570		570
Charges for Services		368,384	368,384
Miscellaneous	338,549	27,505	366,054
Total Revenues	<u>19,662,073</u>	<u>4,526,372</u>	<u>24,188,445</u>
Expenditures			
Current:			
Instruction:			
Regular	6,898,071	1,072,920	7,970,991
Special	1,398,687	1,127,584	2,526,271
Vocational	1,990,428	84,718	2,075,146
Adult/Continuing		52,093	52,093
Other	529,156	67,593	596,749
Support Services:			
Pupils	515,207	125,292	640,499
Instructional Staff	510,803	434,429	945,232
Board of Education	17,997		17,997
Administration	1,673,402	111,991	1,785,393
Fiscal	592,992	25,967	618,959
Operation and Maintenance of Plant	1,793,130	9,944	1,803,074
Pupil Transportation	2,161,064	119,632	2,280,696
Central	55,432	10,561	65,993
Operation of Non-Instructional Services:			
Food Service Operations		836,574	836,574
Other Non-Instructional Services		78,381	78,381
Extracurricular Activities	259,849	310,130	569,979
Capital Outlay		511,449	511,449
Debt Service:			
Principal Retirement	7,828		7,828
Interest and Fiscal Charges	7,055		7,055
Total Expenditures	<u>18,411,101</u>	<u>4,979,258</u>	<u>23,390,359</u>
Net Change in Fund Balances	<u>1,250,972</u>	<u>(452,886)</u>	<u>798,086</u>
Fund Balances Beginning of Year (See Note 3)	<u>626,370</u>	<u>992,901</u>	<u>1,619,271</u>
Fund Balances End of Year	<u><u>\$1,877,342</u></u>	<u><u>\$540,015</u></u>	<u><u>\$2,417,357</u></u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
 Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$798,086

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

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

	Fixed Asset Additions	990,618	
	Current Year Depreciation	<u>(559,310)</u>	431,308

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

(2,014)

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

	Property Taxes	825,407	
	Grants	<u>51,080</u>	876,487

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 governmental funds:

	Compensated Absences	(314,065)	
	Capital Leases Payable	7,828	
	Special Termination Benefits	12,068	
	Pension Obligation	<u>(16,930)</u>	<u>(311,099)</u>

Change in Net Assets of Governmental Activities \$1,792,768

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,600,000	\$6,941,540	\$7,853,311	\$911,771
Intergovernmental	10,554,600	10,943,281	10,967,448	24,167
Interest	70,000	68,000	72,451	4,451
Tuition and Fees	63,000	65,575	65,664	89
Rentals		580	580	0
Extracurricular Activities		14,782	14,782	0
Miscellaneous	149,400	384,510	392,597	8,087
Total Revenues	18,437,000	18,418,268	19,366,833	948,565
Expenditures				
Current:				
Instruction:				
Regular	6,879,861	6,980,926	6,869,256	111,670
Special	1,687,500	1,619,940	1,457,870	162,070
Vocational	1,855,640	2,067,278	2,046,043	21,235
Other	543,000	553,000	520,926	32,074
Support Services:				
Pupils	498,616	515,416	497,272	18,144
Instructional Staff	510,110	541,260	496,729	44,531
Board of Education	27,400	26,083	20,322	5,761
Administration	1,595,251	1,740,598	1,708,565	32,033
Fiscal	658,583	621,733	599,038	22,695
Operation and Maintenance of Plant	1,810,109	1,886,779	1,831,945	54,834
Pupil Transportation	2,196,694	2,409,526	2,322,346	87,180
Central	53,830	58,130	55,478	2,652
Extracurricular Activities	167,500	273,535	258,350	15,185
Debt Service:				
Principal Retirement	7,828	7,828	7,828	0
Interest and Fiscal Charges	3,342	3,342	3,342	0
Total Expenditures	18,495,264	19,305,374	18,695,310	610,064
Excess of Revenues Over (Under) Expenditures	(58,264)	(887,106)	671,523	1,558,629
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	3,000			0
Refund of Prior Year Expenditures		9,696	9,741	45
Advances In	23,379	23,379	23,379	0
Advances Out	(100,000)	(130,000)	(104,364)	25,636
Transfers Out	(100,000)	(99,223)		99,223
Total Other Financing Sources (Uses)	(173,621)	(196,148)	(71,244)	124,904
Net Change in Fund Balance	(231,885)	(1,083,254)	600,279	1,683,533
Fund Balance Beginning of Year	1,511,186	1,511,186	1,511,186	0
Prior Year Encumbrances Appropriated	443,453	443,453	443,453	0
Fund Balance End of Year	\$1,722,754	\$871,385	\$2,554,918	\$1,683,533

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$72,983</u></u>
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Liabilities

Undistributed Monies	\$400
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Due to Students	<u>72,583</u>
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Total Liabilities	<u><u>\$72,983</u></u>
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See accompanying notes to the basic financial statements

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Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

Note 1 - Description of the School District and Reporting Entity

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's thirteen instructional/support facilities staffed by 111 non-certificated employees, 218 certificated full time teaching personnel and 24 administrative employees who provide services to 2,769 students and other community members.

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

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

Parochial School – Within the School District boundaries, St. Sylvester's School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this parochial school. 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 service performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organizations; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approved the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

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

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

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

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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

The School District participates in three organizations which are defined as jointly governed organizations and two insurance purchasing pools. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Southeastern Ohio Special Education Regional Resource Center (SEO-SERRC), the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets 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 assets 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 statement of net assets 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 and interest earned on grants that is required to be used to support 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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. There are 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 liabilities is reported as fund balance. The General Fund is the only major fund of the School District. The following is a description of the General Fund:

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

The 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 assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no proprietary funds.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. 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 does not have any trust funds. 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 managed activities.

C. Measurement Focus

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

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 current liabilities 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.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

D. Basis of Accounting

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

Non-exchange 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 non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

E. Cash and Cash Equivalents

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

During fiscal year 2003, the School District's investments were limited to an overnight repurchase sweep account and STAROhio. The nonparticipating investment contracts and repurchase agreements are reported at cost.

State Treasury Asset Reserve of Ohio (STAROhio) is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2003.

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 2003 amounted to \$72,451, which includes \$17,212 assigned from other School District funds.

For presentation on the combined balance sheet, investments of cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 fiscal year in which services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventories of governmental funds consist of expendable supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in proprietary funds. 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 assets 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 fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand-five hundred dollars. The School District 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:

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 years
Furniture and Equipment	5-7 years
Vehicles	10 years

I. Inter-fund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans and unpaid amounts for inter-fund services are classified as "inter-fund receivables/payables". These amounts are eliminated on the statement of net assets.

J. 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 enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization. See Note 21 for additional information regarding set asides.

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

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 employee wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. The unmatured portion of these obligations should be reported as general long-term liabilities segregated between amounts due within one year and amounts due in more than one year. Capital leases are recognized as a liability on the governmental fund financial statements when due or when resources are available. The unmatured portion of these obligations should also be reported as general long-term liabilities segregated between amounts due within one year and amounts due in more than one year.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

M. Inter-fund Activity

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 inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, unclaimed monies, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five-year period is presented as reserved.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

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

P. 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.

Q. 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.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

R. Budgetary Data

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 set 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. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level. 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 fiscal 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 final amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. 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 prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Note 3 - Changes in Accounting Principles and Restatement of Fund Balances

Changes in Accounting Principles For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures. At June 30, 2003, there was no effect on fund balances as a result of implementing GASB Statements 37 and 38.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective difference result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of this statement did not affect the presentation of the budgetary statements of the School District.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Restatement of Fund Balances The fund classification was updated during fiscal year 2003 to reclassify the Rotary Fund, Adult Education Fund and Food Service Fund, previously presented as enterprise funds, to special revenue funds. These reclassifications and the implementation of Interpretation No. 6 had the following effects on fund balances of the major and non-major funds of the School District as they were previously reported. The transition from governmental fund balances to net assets of governmental activities is also presented.

	General	Nonmajor Funds	Total
Fund Balances, June 30, 2002	\$601,235	\$869,080	\$1,470,315
Fund Reclassification:			
Rotary Fund	0	12,144	12,144
Adult Education	0	14,066	14,066
Food Service	0	50,082	50,082
Interpretation No. 6:			
Long-Term Pension Obligatio	0	15,925	15,925
Compensated Absences	25,135	31,604	56,739
Restated Fund Balances, June 30, 2002	<u>\$626,370</u>	<u>\$992,901</u>	1,619,271
GASB 34 Adjustments:			
Capital Assets			8,266,109
Capital Leases			(22,842)
Compensated Absences			(1,646,434)
Intergovernmental Payable			(149,764)
Special Termination Benefits			(27,392)
Deferred Revenue			<u>801,317</u>
Governmental Activities Net Assets, June 30, 2002			<u>\$8,840,265</u>

The transition from proprietary fund equity to net assets of the business-type activities is as follows:

	Food Service	Rotary	Adult Education	Total
Fund Equity, June 30, 2002	\$176,610	\$12,144	\$21,658	\$210,412
Fund Reclassifications	<u>(176,610)</u>	<u>(12,144)</u>	<u>(21,658)</u>	<u>(210,412)</u>
Restated Business-Type Activities, June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

In addition, capital assets were restated due to an increase in the capitalization threshold from \$1,000 to \$1,500. The restatement resulted in a decrease of \$4,448,301 in the governmental activities capital assets from \$22,773,284 to 18,324,983.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 4 – Accountability

Accountability

At June 30, 2003, the DPIA, Title I, and Miscellaneous Federal Grants Special Revenue Funds had deficit fund balances in the amounts of \$45,547, \$96,235 and \$6,557, respectively. These deficits are due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 (modified accrual) 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 a reservation of fund balance (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance

GAAP Basis	\$1,250,972
Net Adjustment for Revenue Accruals	(146,786)
Net Adjustment for Expenditure Accruals	67,990
Allocation of Revenue for Debt Payments	(138,713)
Principal Retirement	135,000
Interest and Fiscal Charges	3,713
Advances In	23,379
Advances Out	(104,364)
Adjustment for Encumbrances	(490,912)
Budget Basis	<u><u>\$600,279</u></u>

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or 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.

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$2,878,631 and the bank balance was \$3,053,997. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$2,853,997 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in STAROhio which is an unclassified investment by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form. The carrying value and market value of the School District's STAROhio account at June 30, 2003 is \$105,785.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying and Fair Value</u>
Repurchase Agreement	\$0	\$0	\$1,033,931	\$1,033,931

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$4,018,347	\$0
STAR Ohio	(105,785)	105,785
Investment in Repurchase Agreement	<u>(1,033,931)</u>	<u>1,033,931</u>
GASB Statement 3	<u><u>\$2,878,631</u></u>	<u><u>\$1,139,716</u></u>

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Monroe, Belmont and Noble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 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, personal property and public utility taxes which are measurable as of June 30, 2003 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. The amount available as an advance at June 30, 2003, was \$833,698. \$774,576 was available to the General Fund and \$59,122 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2002 was \$546,759. \$515,996 was available to the General Fund and \$30,763 to the Permanent Improvement Capital Projects Fund. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

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 is deferred.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$184,657,180	59.76%	\$191,324,040	60.84%
Public Utility Personal	45,522,190	14.73%	46,204,210	14.69%
Tangible Personal Property	78,839,669	25.51%	76,958,100	24.47%
Total	\$309,019,039	100.00%	\$314,486,350	100.00%
Tax rate per \$1,000 of assessed valuation	\$21.94		\$21.92	

Note 8 - Receivables

Receivables at June 30, 2003, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental grants, 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 are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities	
Food Service Reimbursements	\$53,287
Title II-A	92,757
Secondary	21,918
Title VI-B	72,920
Title I	3,570
ABLE	22,996
Drug Free	5,972
Title V	2,082
Miscellaneous Federal Grants	32,263
Total	\$307,765

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance June 30, 2002	Additions	Deletions	Balance June 30, 2003
Nondepreciable Capital Assets				
Land	\$678,604	\$0	\$0	\$678,604
Depreciable Capital Assets				
Buildings and Improvements	12,052,142	482,296	0	12,534,438
Furniture and Equipment	3,246,425	240,310	(6,632)	3,480,103
Vehicles	3,026,416	268,012	0	3,294,428
Total at Historical Cost	<u>18,324,983</u>	<u>990,618</u>	<u>(6,632)</u>	<u>19,308,969</u>
Less Accumulated Depreciation				
Buildings and Improvements	(7,192,389)	(255,586)	0	(7,447,975)
Furniture and Equipment	(2,118,887)	(188,002)	4,618	(2,302,271)
Vehicles	(1,426,202)	(115,722)	0	(1,541,924)
Total Accumulated Depreciation	<u>(10,737,478)</u>	<u>(559,310) *</u>	<u>4,618</u>	<u>(11,292,170)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>7,587,505</u>	<u>431,308</u>	<u>(2,014)</u>	<u>8,016,799</u>
Governmental Activities Capital Assets, Net	<u><u>\$8,266,109</u></u>	<u><u>\$431,308</u></u>	<u><u>(\$2,014)</u></u>	<u><u>\$8,695,403</u></u>

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$202,732
Special	30,670
Vocational	63,898
Adult/Continuing	570
Other	422
Support Services:	
Pupils	23,003
Instructional Staff	15,335
Administration	54,017
Fiscal	4,631
Operation and Maintenance of Plant	17,741
Pupil Transportation	118,278
Central	2,556
Food Service Operations	<u>25,457</u>
 Total Depreciation Expense	 <u><u>\$559,310</u></u>

Note 10 - Interfund Balances

Interfund balances at June 30, 2003, consist of the following individual interfund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$104,364	\$0
IDEA Part B Fund	0	72,920
Miscellaneous Federal Grants Fund	0	31,444
Total	<u><u>\$104,364</u></u>	<u><u>\$104,364</u></u>

The above advances were to subsidize these programs until grant reimbursement is received. These advances will be repaid in fiscal year 2004.

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District purchased the following coverage:

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Indiana Insurance

Fleet Insurance:

Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$1,000,000	any one accident
Comprehensive	actual cash value	
Physical Damage	actual cash value	
Collision	actual cash value	

Ohio School Plan

General Liability:

Bodily Injury and Property Damage	\$1,000,000	each occurrence
Fire Damage	\$500,000	any one event
Medical Expense	\$10,000	each accident
General Aggregate	\$3,000,000	
Products Aggregate	\$1,000,000	
Employee Benefits Liability	\$1,000,000	
Aggregate	\$3,000,000	
Employers' Liability	\$1,000,000	
Errors and Omissions	\$1,000,000	
Aggregate	\$2,000,000	
Employment Practices	\$1,000,000	
Aggregate	\$2,000,000	

Indiana Insurance

Building, Personal Property, and Content	\$39,868,545
Inland Marine	\$7,778

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last fiscal year. The School District pays the State a rate of \$100 of salaries for workers' compensation.

During fiscal year 2003, 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. 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 19)

B. Worker's Compensation

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 12 - Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 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, administrative and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is limited to 250 days. 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 Aetna Insurance Company. Coverage in the amount of \$50,000 is provided for all certified employees and \$25,000 for non-certified employees. Administrators have coverage of twice their salary amount with a maximum of \$100,000.

The School District has contracted with Aetna Insurance Company to provide employee medical/surgical, and dental benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for medical /surgical benefits. For fiscal year 2003, the School District's and the employees' premiums for medical/surgical benefits for the staff were \$897 and \$99 for family coverage and \$320 and \$36 for single coverage per employee per month, respectively. The premium for dental coverage was funded entirely by the School District at \$53 and \$19 per employee per month for family and single coverage, respectively.

The School District has contracted with Vision Service Plan to provide employee vision benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for vision benefits. For fiscal year 2003, the School District's and the employees' premiums for vision benefits for the staff were \$11 and \$1 for family coverage and \$5 and \$1 for single coverage per employee per month, respectively.

C. *Special Termination Benefits 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 Board. Any certificated staff covered under this contract who retires at any other time is eligible to receive one-fourth of their accumulated sick leave.

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

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

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 E. Broad Street, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$206,343, \$135,462, and \$107,168, respectively; 64 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available, stand alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations as 9.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001, were \$1,204,460, \$836,067, and \$835,037 respectively; 82.4 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for the fiscal year ended June 30, 2003, were \$8,453 made by the School District and \$7,395 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, there is one employee who has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 – Post-employment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District this amount equaled \$92,420 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established as \$14,500. For the School District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$47,244.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 15 – Fund Obligation

During fiscal year 2003, the School District retired an energy conservation note outstanding which was a liability of the General Fund. Property tax revenues were being utilized for the payment of this obligation.

	Outstanding 06/30/02	Additions	Reductions	Outstanding 06/30/03
Energy Conservation Loan	\$135,000	\$0	\$135,000	\$0

Note 16 - Capitalized Leases

The School District has entered into capitalized leases for telephone equipment and a photocopying machine.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

Equipment acquired by lease has initially been capitalized in government wide statements governmental activities in the amount of \$41,704, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government wide statements governmental activities. Principal payments in fiscal year 2003 totaled \$7,828 in the General Fund.

Future minimum lease payments through 2006 are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2004	\$10,653
2005	3,170
2006	3,170
Total Minimum Lease Payments	16,993
Less: Amount Representing Interest	(1,979)
Present Value of Minimum Lease Payments	\$15,014

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003*

Note 17 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2003 consist of the following:

	Outstanding 06/30/02	Additions	Reductions	Outstanding 06/30/03	Due in One Year
Governmental Activities:					
Compensated Absences	\$1,646,434	\$499,910	\$185,845	\$1,960,499	\$294,075
Capital Leases	22,842	0	7,828	15,014	9,172
Total Long-Term Obligations	<u>\$1,669,276</u>	<u>\$499,910</u>	<u>\$193,673</u>	<u>\$1,975,513</u>	<u>\$303,247</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service, DPIA, Special Education - Part B IDEA, Vocational Education, Drug Free, Title II-A, and Title I Special Revenue Funds. The capital leases will be paid from the General Fund.

Note 18 - Jointly Governed Organizations

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting and taxing authority. The Jefferson County Educational Service Center serves as fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Dick Gummere who serves as Interim Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. During fiscal year 2003, the School District contracted with OME-RESA for an annual amount of \$156,130.

South Eastern Ohio Special Education Regional Resource Center – The South Eastern Ohio Special Education Regional Resource Center (SEO-SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEO-SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representative of county boards of MR/DD, Ohio University and Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

Coalition of Rural and Appalachian Schools – The Coalition of Rural and Appalachian Schools is a jointly governed organization including over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 19 - Insurance Purchasing Pools

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (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 fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

The School District is currently a party to a legal proceeding involving an accident at one of its high schools in which a student was struck by a private vehicle. The School District's insurance company at the time of the accident was Nationwide Insurance Company and their legal council has been handling the School Districts' defense to the claim. Any liability arising from this claim will likely not exceed the insurance coverage in place at the time and therefore, there has been no accrual made for this claim.

Switzerland of Ohio Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 21 - 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 purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may, at the discretion of the board, be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation refund monies remaining in the budget reserve set-aside.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance			
as of June 30, 2002	\$0	\$0	\$108,196
Carryover of Prior Year Qualifying			
Disbursements	(958,667)	\$0	
Current Year Set-aside Requirement	392,834	392,834	0
Current Year Offsets	(316,361)	(316,361)	0
Qualifying Disbursements	(455,091)	(91,499)	0
Total	<u>(\$1,337,285)</u>	<u>(\$15,026)</u>	<u>\$108,196</u>
Set-aside Balance Carried Forward			
to Future Fiscal Years	<u>(\$1,337,285)</u>	<u>\$0</u>	<u>\$108,196</u>
Set-aside Reserve Balance as of			
June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$108,196</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts to or below zero. The extra amount in the textbook set-aside may be used to reduce the set-aside requirements of future years. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement of future years.

Note 22 - State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed-Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation Program	10.550	NA	\$0	\$39,624	\$0	\$39,624
School Breakfast Program	10.553	048652-05-PU-02	24,840	0	24,840	0
	10.553	048652-05-PU-03	69,349	0	69,349	0
Total School Breakfast Program			94,189	0	94,189	0
National School Lunch Program	10.555	048652-LL-N4-02	32,561	0	32,561	0
	10.555	048652-LL-P4-02	49,572	0	49,572	0
	10.555	048652-LL-P4-03	229,397	0	229,397	0
Total National School Lunch Program			311,530	0	311,530	0
Total United State Department of Agriculture - Nutrition Cluster			405,719	39,624	405,719	39,624
FEDERAL EMERGENCY MANAGEMENT AGENCY						
<i>Passed-Through Ohio Emergency Management Agency:</i>						
Public Assistance Grants	83.544	FEMA-DR-1453-OH	0	0	2,579	0
Total Federal Emergency Management Agency			0	0	2,579	0
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed-Through Ohio Department of Education:</i>						
Adult Education State Grant Program	84.002	048652-AB-S1-01	0	0	15,610	0
	84.002	048652-AB-S1-02	10,538	0	7,720	0
	84.002	048652-AB-S1-02-C	12,271	0	9,929	0
	84.002	048652-AB-S1-03	20,908	0	20,908	0
Total Adult Education State Grant Program			43,717	0	54,167	0
Title I Grants to Local Educational Agencies	84.010	048652-C1-S1-01	0	0	38,426	0
	84.010	048652-C1-S1-02	0	0	85,951	0
	84.010	048652-C1-S1-03	925,138	0	870,961	0
Total Title I Grants to Local Educational Agencies			925,138	0	995,338	0
Special Education Grants to States	84.027	048652-6B-SF-02-P	54,988	0	74,072	0
	84.027	048652-6B-SF-03-P	288,261	0	293,147	0
Total Special Education Grants to States			343,249	0	367,219	0
Vocational Education Basic Grants to States	84.048	048652-20-A0-02	2,247	0	21,287	0
	84.048	048652-20-C1-02	4,920	0	6,086	0
	84.048	048652-20-C1-03	48,676	0	47,198	0
Total Vocational Education Basic Grants to States			55,843	0	74,571	0
Safe and Drug-Free Schools and Communities State Grants	84.186	048652-DR-S1-02	(2,211)	0	2,055	0
	84.186	048652-DR-S1-02-C	0	0	2,211	0
	84.186	048652-DR-S1-03	24,327	0	23,362	0
Total Safe and Drug-Free Schools and Communities, State Grants			22,116	0	27,628	0
Goals 2000 Educate America Act - Title III	84.276	048652-G2-S2-01	(1,943)	0	4,420	0
	84.276	048652-G2-S2-02	0	0	10,407	0
Total Goals 2000 Educate America Act - Title III			(1,943)	0	14,827	0
Eisenhower Professional Development State Grants	84.281	048652-MS-S1-02	(16,867)	0	939	0
Innovative Education Program Strategies	84.298	048652-C2-S1-01	0	0	248	0
	84.298	048652-C2-S1-02	(1,172)	0	968	0
	84.298	048652-C2-S1-02-C	0	0	1,172	0
	84.298	048652-C2-S1-03	17,177	0	16,108	0
Total Innovative Education Program Strategies			16,005	0	18,496	0
Education Technology State Grants	84.318	048652-TJ-S1-03	12,206	0	15,040	0
Title VI of the ESEA, Class Size Reduction Grant	84.340	048652-CR-S1-02	(37,987)	0	0	0
School Renovation, IDEA and Technology (Assistive Technology Infusion Project)	84.352A	048652-AT-S3-02	11,323	0	11,323	0
Rural Education	84.358	048652-RU-S1-03	40,531	0	29,001	0
Improving Teacher Quality State Grants	84.367	048652-TR-S1-02	0	0	51,825	0
	84.367	048652-TR-S1-03	223,953	0	156,892	0
Total Improving Teacher Quality State Grants			223,953	0	208,717	0
Total United States Department of Education			1,637,284	0	1,817,266	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed-Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System - Title XIX	93.778	N/A	81,254	0	81,254	0
Total United States Department of Health and Human Services			81,254	0	81,254	0
Total Federal Awards Receipts and Expenditures			\$2,124,257	\$39,624	\$2,306,818	\$39,624

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - REFUNDS

During fiscal year 2003, the School District refunded \$1,943 to the Ohio Department of Education (ODE) after the expiration of the period of availability of the Goals 2000 Educate America Act –Title III Grant, Code of Federal Domestic Assistance (CFDA) #84.276.

NOTE D - TRANSFERS

Recent federal legislation created new federal grants for school districts and renamed and revised some of the existing grants. The Eisenhower Professional Development State Grants (Math and Science) CFDA #84.281 and Title VI of the ESEA, Class-Size Reduction Grant CFDA #84.340 are now reflected as Improving Teacher Quality, State Grants, Title II-A CFDA #84.367. Transfers due to the change of CFDA Numbers are as follows:

<u>CFDA Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.281	\$	\$16,867
84.340		<u>37,987</u>
84.367	<u>54,854</u>	
Total	<u>\$54,854</u>	<u>\$54,854</u>

The Ohio Department of Education (ODE) requires school districts to record grant funds carried over from one grant period to another grant period as a negative receipt in the original grant fund project-by-year line and as a positive receipt in the subsequent year project line. The Schedule reflects the following transfer due to ODE administrative action:

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.186	048652-DR-S1-02	\$	\$2,211
84.186	048652-DR-S1-03	2,211	
84.298	048652-C2-S1-02		1,172
84.298	048652-C2-S1-03	<u>1,172</u>	
Total		<u>\$3,383</u>	<u>\$3,383</u>



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated April 2, 2004, wherein we noted the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement 34 and we also noted the School District changed its capitalization criteria for capital assets from \$1,000 to \$1,500. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the School District in a separate letter dated April 2, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated April 2, 2004.

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Switzerland of Ohio Local School District
Monroe County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 2, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

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

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Switzerland of Ohio Local School District
Monroe County
Independent Accountants' Report on Compliance with Requirements Applicable
to Major Federal Programs and Internal Control Over Compliance in
Accordance with OMB Circular A-133
Page 2

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 2, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – Food Donation Program, CFDA #10.550; School Breakfast Program, CFDA #10.553; and National School Lunch Program, CFDA #10.555 Special Education, Grants to States, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that money paid into any fund shall be used only for the purposes for which such a fund was established. As a result, a deficit fund balance indicates that money from one fund was used to cover the expenses of another fund.

As of January 31, 2003, the Debt Service, Educational Management Information System (EMIS), Special Education Part B-IDEA, Title I, and Title II-A Funds reflected deficit cash fund balances of \$138,713, \$6,468, \$10,143, \$81,948, and \$12,479, respectively.

As of December 31, 2002, the Debt Service, Educational Management Information System (EMIS), Special Education Part B-IDEA, Title I, and Title II-A Funds reflected deficit cash fund balances of \$138,713, \$6,468, \$41,027, \$193,348, and \$31,516, respectively.

As of November 30, 2002, the Educational Management Information System (EMIS), Special Education Part B-IDEA, Title I, and Title II-A Funds reflected deficit cash fund balances of \$6,468, \$19,362, \$115,053, and \$13,612, respectively.

We recommend the School District Treasurer monitor fund balances to ensure that monies from one fund are not utilized to pay the obligations of another fund. To cover temporary cash flow shortages, the School District may advance money from other funds to prevent deficits. The School District should consult with its legal counsel and review Auditor of State Audit Bulletin 1997-003 to determine if an advance of funds to prevent a deficit cash balance would be appropriate.

3. FINDINGS FOR FEDERAL AWARDS

None.

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

**CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The School District Treasurer plans to monitor all fund balances to ensure adequate cash balances are on hand to cover expenses.	June 30, 2004	Kevin Robertson, Treasurer

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**Auditor of State
Betty Montgomery**

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800-282-0370

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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 11, 2004**