



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	14
Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund .....	16
Statement of Fiduciary Net Assets – Fiduciary Funds.....	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund .....	18
Notes to the Basic Financial Statements.....	19
Federal Awards Receipts and Expenditures Schedule.....	49
Notes to the Federal Awards Receipts and Expenditures Schedule .....	50
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 .....	53
Schedule of Findings - OMB Circular A-133 Section .505 .....	55

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# Dave Yost • Auditor of State

## 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, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2010, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 21, 2011

**Switzerland of Ohio Local School District**  
**Monroe County**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

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Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Switzerland of Ohio Local School District's (the School District) financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. The MD&A should be read in conjunction with the School District's basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities increased \$53,738,730.
- General revenues accounted for \$77,809,977 in revenue or 93 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$5,553,557 or 7 percent of total revenues of \$83,363,534.
- Total assets of governmental activities increased by \$64,318,322 and total liabilities increased \$10,579,592.
- The School District had \$29,624,804 in expenses related to governmental activities; only \$5,553,557 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues (primarily intergovernmental revenues and property taxes) of \$77,809,977 were adequate enough to provide for these programs.
- The School District's long-term debt increased from \$25,000,000 to \$35,701,050 during fiscal year 2010.

**Using this Annual Financial Report**

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

The *Statement of Net 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 nonmajor funds presented in total in one column.

**Switzerland of Ohio Local School District**  
**Monroe County**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

---

**Government-Wide Financial Statements**

*Statement of Net Assets and the Statement of Activities*

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2009-2010 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 programs and services are reported as Governmental Activities including instruction, support services, operation of non-instructional services (including food service operations) and extracurricular activities.

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Bond Retirement Debt Service Fund, and the Ohio School Facilities Commission (OSFC) Project Capital Projects Fund.

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



**Switzerland of Ohio Local School District  
Monroe County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited**

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

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2010 compared to fiscal year 2009:

Table 1  
Net Assets

	<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$94,548,428	\$35,006,352	\$59,542,076
Capital Assets	13,801,596	9,025,350	4,776,246
<b>Total Assets</b>	<u>108,350,024</u>	<u>44,031,702</u>	<u>64,318,322</u>
<b>Liabilities</b>			
Long-Term Liabilities	37,039,450	26,857,765	10,181,685
Other Liabilities	11,252,339	10,854,432	397,907
<b>Total Liabilities</b>	<u>48,291,789</u>	<u>37,712,197</u>	<u>10,579,592</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	12,608,504	9,009,930	3,598,574
Restricted	51,418,246	1,052,800	50,365,446
Unrestricted (Deficit)	<u>(3,968,515)</u>	<u>(3,743,225)</u>	<u>(225,290)</u>
<b>Total Net Assets</b>	<u>\$60,058,235</u>	<u>\$6,319,505</u>	<u>\$53,738,730</u>

Total assets increased \$64,318,322. There are three areas that make up the majority of this increase. Cash and Cash Equivalents and Investments in Segregated Accounts increased \$16,812,837. During fiscal year 2010, the School District issued \$10,000,000 in School Improvement Bonds and the majority of this was unspent and invested at fiscal year end. In addition, unspent proceeds from the prior year debt issue in the amount of \$25,000,000 continues to be included in investments. Intergovernmental receivables increased in the amount of \$42,269,746 due largely due to a grant from the State in connection with the Classroom Facilities Program. Capital assets increased by \$4,776,246 as a result of construction and renovation of classroom facilities.

In total, liabilities increased by \$10,579,592 largely the result of the issuance of long-term liabilities which increased by \$10,181,685 during fiscal year 2010. As stated earlier, the School District's debt increased by \$10,000,000 as a result of a new debt issuance of School Improvement Bonds.

**Switzerland of Ohio Local School District**  
**Monroe County**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

---

By comparing assets and liabilities, one can see the overall position of the School District has increased as evidenced by the increase in net assets in the amount of \$53,738,730. The biggest change is in restricted net assets which was the result of the School District's participation in the Classroom Facilities Program where the receivables and unspent debt proceeds are restricted for the construction of school facilities. Invested in capital assets, net of related debt increased by the \$3,598,574. This is the result of current year capital asset additions exceeding depreciation.

Table 2 shows the changes in net assets for fiscal year 2010, and comparisons to fiscal year 2009:

**Switzerland of Ohio Local School District  
Monroe County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited**

**Table 2  
Changes in Net Assets**

	Governmental Activities		
	2010	2009	Change
<b>Revenues</b>			
Program Revenues			
Charges for Services and Sales	\$657,655	\$738,522	(\$80,867)
Operating Grants, Contributions, and Interest	4,660,624	5,286,707	(626,083)
Capital Grants and Contributions	235,278	249,670	(14,392)
Total Program Revenues	<u>5,553,557</u>	<u>6,274,899</u>	<u>(721,342)</u>
General Revenues			
Property Taxes	8,444,566	7,298,773	1,145,793
Grants and Entitlements	69,040,471	13,179,020	55,861,451
Investment Earnings	193,751	50,405	143,346
Gain on Sale of Capital Asset	0	1,138	(1,138)
Miscellaneous	131,189	189,570	(58,381)
Total General Revenues	<u>77,809,977</u>	<u>20,718,906</u>	<u>57,091,071</u>
Total Revenues	<u>83,363,534</u>	<u>26,993,805</u>	<u>56,369,729</u>
<b>Program Expenses</b>			
Instruction			
Regular	10,959,950	10,884,578	75,372
Special	3,069,516	3,071,359	(1,843)
Vocational	2,019,149	1,919,449	99,700
Adult/Continuing	1,001	28,092	(27,091)
Intervention	0	60,049	(60,049)
Support Services			
Pupils	1,167,165	1,027,524	139,641
Instructional Staff	789,286	909,891	(120,605)
Board of Education	27,058	25,490	1,568
Administration	2,207,778	2,053,557	154,221
Fiscal	804,045	722,366	81,679
Operation and Maintenance of Plant	1,823,479	2,246,528	(423,049)
Pupil Transportation	3,159,328	2,649,494	509,834
Central	120,740	115,230	5,510
Operation of Non-Instructional Services	1,441,527	1,430,430	11,097
Extracurricular Activities	630,908	635,191	(4,283)
Interest	1,403,874	23,836	1,380,038
Total Expenses	<u>29,624,804</u>	<u>27,803,064</u>	<u>1,821,740</u>
<b>Change in Net Assets</b>	53,738,730	(809,259)	54,547,989
Net Assets Beginning of Year	<u>6,319,505</u>	<u>7,128,764</u>	<u>(809,259)</u>
Net Assets End of Year	<u>\$60,058,235</u>	<u>\$6,319,505</u>	<u>\$53,738,730</u>

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to

**Switzerland of Ohio Local School District**  
**Monroe County**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

---

\$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 10 percent of governmental activities revenues for Switzerland of Ohio Local School District in fiscal year 2010. The remaining 90 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid.

Enrollment is also a factor in the finances of the School District, with enrollment declining over a period of several years. In addition, the School District had a net loss of \$454,679 in open enrollment in fiscal year 2010, which results in local tax dollars going to other school districts.

The School District's direct charges to users of governmental activities made up \$657,655 or less than one percent of total governmental revenues. These charges are from fees for open enrollment, rent, food service operations, and school supply sales. Unrestricted grants and entitlements were the largest general revenue accounting for \$69,040,471 or 83 percent of total revenues. This large amount is attributable to the non-reimbursable grant from the State in the amount of \$41,719,620.

As can be seen from Table 2, the change in net assets shows an increase in the amount of \$53,738,730 which is a combination of the changes in assets and liabilities as discussed earlier.

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

**Switzerland of Ohio Local School District  
Monroe County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited**

Table 3  
Governmental Activities

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
<b>Program Expenses</b>				
Instruction				
Regular	\$10,959,950	\$10,512,746	\$10,884,578	\$9,927,165
Special	3,069,516	1,823,849	3,071,359	1,179,097
Vocational	2,019,149	1,391,946	1,919,449	1,260,421
Adult/Continuing	1,001	(5)	28,092	(41)
Intervention	0	0	60,049	60,049
Support Services				
Pupils	1,167,165	982,784	1,027,524	910,104
Instructional Staff	789,286	334,756	909,891	494,049
Board of Education	27,058	27,058	25,490	25,490
Administration	2,207,778	2,049,917	2,053,557	1,984,388
Fiscal	804,045	787,234	722,366	695,524
Operation and Maintenance of Plant	1,823,479	1,791,064	2,246,528	2,192,908
Pupil Transportation	3,159,328	2,670,853	2,649,494	2,467,742
Central	120,740	58,826	115,230	57,458
Operation of Non-Instructional Services	1,441,527	(128,020)	1,430,430	(86,474)
Extracurricular Activities	630,908	364,365	635,191	336,449
Interest	1,403,874	1,403,874	23,836	23,836
Total	<u>\$29,624,804</u>	<u>\$24,071,247</u>	<u>\$27,803,064</u>	<u>\$21,528,165</u>

The dependence upon tax revenues and unrestricted government subsidies for governmental activities is apparent. Approximately 86 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

### **The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. In other words, the focus on the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. All governmental funds had total revenues of \$41,424,800 and expenditures of \$60,323,895. The net change in fund balance, including other financing sources and uses, for the year was most significant in the Ohio School Facilities Commission (OSFC) Project Capital Project Fund, an increase in the amount of \$13,576,019 which is a direct result of the issuance of a school improvement bond. However, before other financing sources and uses, the largest change in revenues compared to expenditures was in the Bond Retirement Debt Service Fund, a decrease in the amount of \$24,937,851, a direct result of retiring a bond anticipation note during the year.

### **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

**Switzerland of Ohio Local School District**  
**Monroe County**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**  
**Unaudited**

---

fund is the General Fund. The School District amended its General Fund throughout the year, but the amendments were not significant. The net change in fund balance was \$249,718 lower than the final estimate primarily due to final budgeted amounts being less than final expenditures.

For the General Fund, budget basis revenues were \$13,835 below final estimates of \$21,911,022. This minimal change is a result of very conservative and precise estimates based on the County Auditor's Certification and State funding estimates.

The School District's General Fund ending unobligated fund balance was (\$248,965) and was \$249,718 lower than the final budgeted amount.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2010, the School District had \$13,801,596 invested in land, construction in progress, buildings and improvements, vehicles, and furniture and equipment in governmental activities. See Note 9 for more detailed information of the School District's capital assets.

#### ***Debt***

At June 30, 2010, the School District had \$35,701,050 outstanding in various school improvement bonds. The two separate school improvement bonds consisted of Qualified School Construction Bonds (QSCBs), tax exempt bonds, Build America Bonds (BABs), and capital appreciation bonds. See Note 15 for more detailed information of the School District's long-term debt.

#### **Economic Factors**

The School District did not end fiscal year 2010 with a positive cash flow which reflects the challenge the Administration of the School District has with trying to maintain fiscal accountability. There are some uncontrollable variables that will affect future revenues. Some of these include the elimination of the three year averaging for Average Daily Membership (ADM), state deduction for fees from rollback and homestead funds, elimination of the school bus subsidy and the net loss of students to other school districts through open enrollment. Based on these factors, the Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to maintain the financial stability of the School District.

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

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

Switzerland of Ohio Local School District  
Statement of Net Assets  
June 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,418,747
Cash and Cash Equivalents in Segregated Accounts	7,463,267
Prepaid Items	73,828
Accounts Receivable	4,535
Intergovernmental Receivable	42,523,110
Inventory Held for Resale	25,679
Materials and Supplies Inventory	1,532
Accrued Interest Receivable	21,419
Property Taxes Receivable	8,148,699
Investments in Segregated Accounts	34,357,614
Deferred Charges	509,998
Nondepreciable Capital Assets	5,760,507
Depreciable Capital Assets, Net	8,041,089
Total Assets	<u>108,350,024</u>
<b>Liabilities</b>	
Matured Compensated Absences Payable	97,627
Accounts Payable	245,330
Contracts Payable	126,082
Retainage Payable	12,559
Accrued Wages and Benefits Payable	2,433,472
Retirement Incentive Payable	97,627
Intergovernmental Payable	865,800
Accrued Interest Payable	144,292
Deferred Revenue	7,229,550
Long-Term Liabilities:	
Due Within One Year	248,072
Due In More Than One Year	36,791,378
Total Liabilities	<u>48,291,789</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	12,608,504
Restricted for:	
Debt Service	114,942
Capital Projects	50,901,338
Other Purposes	396,264
Unclaimed Monies	5,702
Unrestricted (Deficit)	(3,968,515)
Total Net Assets	<u><u>\$60,058,235</u></u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues			Net (Expense)/Revenue and Change in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$10,959,950	\$4,845	\$366,873	\$75,486	(\$10,512,746)
Special	3,069,516	0	1,245,667	0	(1,823,849)
Vocational	2,019,149	178,082	447,624	1,497	(1,391,946)
Adult/Continuing	1,001	0	1,006	0	5
Support Services:					
Pupils	1,167,165	0	184,381	0	(982,784)
Instructional Staff	789,286	0	454,530	0	(334,756)
Board of Education	27,058	0	0	0	(27,058)
Administration	2,207,778	0	157,861	0	(2,049,917)
Fiscal	804,045	0	9,007	7,804	(787,234)
Operation and Maintenance of Plant	1,823,479	975	13,309	18,131	(1,791,064)
Pupil Transportation	3,159,328	0	356,115	132,360	(2,670,853)
Central	120,740	0	61,914	0	(58,826)
Operation of Non-Instructional Services:					
Food Service Operations	1,365,582	245,940	1,246,839	0	127,197
Other Non-Instructional Services	75,945	0	76,768	0	823
Extracurricular Activities	630,908	227,813	38,730	0	(364,365)
Interest	1,403,874	0	0	0	(1,403,874)
<b>Total Governmental Activities</b>	<b>\$29,624,804</b>	<b>\$657,655</b>	<b>\$4,660,624</b>	<b>\$235,278</b>	<b>(24,071,247)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	6,380,470
Debt Service	1,479,641
Capital Outlay	488,522
Building Maintenance	95,933

Grants and Entitlements not Restricted

to Specific Programs	16,007,476
Grants and Entitlements for School Construction	53,032,995
Investment Earnings	193,751
Miscellaneous	131,189

**Total General Revenues** 77,809,977

Change in Net Assets 53,738,730

Net Assets Beginning of Year 6,319,505

Net Assets End of Year \$60,058,235

See accompanying notes to the basic financial statements



Switzerland of Ohio Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2010

	General	Bond Retirement	OSFC Project	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$0	\$385,797	\$0	\$1,027,248	\$1,413,045
Cash and Cash Equivalents in Segregated Accounts	0	0	7,463,267	0	7,463,267
Investments in Segregated Accounts	0	0	31,047,814	3,309,800	34,357,614
Materials and Supplies Inventory	0	0	0	1,532	1,532
Inventory Held for Resale	0	0	0	25,679	25,679
Accrued Interest Receivable	0	0	20,260	1,159	21,419
Accounts Receivable	1,045	0	0	3,490	4,535
Interfund Receivable	13,358	273,615	0	66,056	353,029
Intergovernmental Receivable	9,985	45,372	41,741,944	725,809	42,523,110
Prepaid Items	64,239	0	7,953	1,636	73,828
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	5,702	0	0	0	5,702
Property Taxes Receivable	5,763,039	1,840,468	0	545,192	8,148,699
<b>Total Assets</b>	<u>\$5,857,368</u>	<u>\$2,545,252</u>	<u>\$80,281,238</u>	<u>\$5,707,601</u>	<u>\$94,391,459</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$164,061	\$0	\$40,239	\$41,030	\$245,330
Contracts Payable	0	0	122,440	3,642	126,082
Retainage Payable	0	0	12,559	0	12,559
Accrued Wages and Benefits Payable	1,993,027	0	0	440,445	2,433,472
Interfund Payable	0	0	0	353,029	353,029
Intergovernmental Payable	691,287	0	0	174,513	865,800
Matured Compensated Absences Payable	79,576	0	0	18,051	97,627
Retirement Incentive Payable	87,108	0	0	10,519	97,627
Deferred Revenue	5,624,689	1,769,619	41,554,810	804,513	49,753,631
<b>Total Liabilities</b>	<u>8,639,748</u>	<u>1,769,619</u>	<u>41,730,048</u>	<u>1,845,742</u>	<u>53,985,157</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	107,351	0	3,628,857	245,711	3,981,919
Reserved for Unclaimed Monies	5,702	0	0	0	5,702
Reserved for Property Taxes	138,350	116,221	0	31,796	286,367
Unreserved:					
Undesignated, Reported in:					
General Fund (Deficit)	(3,033,783)	0	0	0	(3,033,783)
Special Revenue Funds (Deficit)	0	0	0	(323,890)	(323,890)
Debt Service Fund	0	659,412	0	0	659,412
Capital Projects Funds	0	0	34,922,333	3,908,242	38,830,575
<b>Total Fund Balances (Deficit)</b>	<u>(2,782,380)</u>	<u>775,633</u>	<u>38,551,190</u>	<u>3,861,859</u>	<u>40,406,302</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$5,857,368</u>	<u>\$2,545,252</u>	<u>\$80,281,238</u>	<u>\$5,707,601</u>	

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. 13,801,596

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

Property Taxes	632,782	
Interest	14,571	
Grants	41,876,728	
<b>Total</b>	<u>42,524,081</u>	

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds 509,998

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

School Improvement Serial and Term Bonds	(34,935,000)	
Capital Appreciation Bonds	(64,999)	
Capital Appreciation Bonds Accretion	(6,640)	
Bond Premium	(694,411)	
Compensated Absences Payable	(1,338,400)	
Accrued Interest Payable	(144,292)	
	<u>(37,183,742)</u>	

Net Assets of Governmental Activities \$60,058,235

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	OSFC Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$6,424,228	\$1,347,001	\$0	\$579,586	\$8,350,815
Intergovernmental	15,229,587	453,550	11,491,597	4,874,953	32,049,687
Interest	6,003	1,106	151,896	20,217	179,222
Tuition and Fees	160,216	0	0	0	160,216
Extracurricular Activities	3,660	0	0	171,646	175,306
Rentals	975	0	0	0	975
Charges for Services	0	0	0	321,158	321,158
Gifts and Donations	14,827	0	0	41,405	56,232
Miscellaneous	21,826	0	850	108,513	131,189
Total Revenues	<u>21,861,322</u>	<u>1,801,657</u>	<u>11,644,343</u>	<u>6,117,478</u>	<u>41,424,800</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	9,760,729	0	0	1,337,398	11,098,127
Special	2,035,713	0	0	1,074,390	3,110,103
Vocational	2,028,282	0	0	58,221	2,086,503
Adult/Continuing	0	0	0	1,001	1,001
Support Services:					
Pupils	933,949	0	0	235,814	1,169,763
Instructional Staff	390,931	0	0	424,945	815,876
Board of Education	27,058	0	0	0	27,058
Administration	2,025,283	0	0	159,421	2,184,704
Fiscal	712,536	59,626	0	28,046	800,208
Operation and Maintenance of Plant	2,179,181	0	0	66,741	2,245,922
Pupil Transportation	2,295,533	0	0	723,828	3,019,361
Central	41,489	0	0	75,806	117,295
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	1,352,536	1,352,536
Other Non-Instructional Services	0	0	0	89,402	89,402
Extracurricular Activities	293,069	0	0	337,839	630,908
Capital Outlay	0	0	4,103,587	668,583	4,772,170
Debt Service:					
Principal Retirement	0	25,000,000	0	0	25,000,000
Interest and Fiscal Charges	9,667	1,271,743	0	0	1,281,410
Issuance Costs	0	408,139	113,409	0	521,548
Total Expenditures	<u>22,733,420</u>	<u>26,739,508</u>	<u>4,216,996</u>	<u>6,633,971</u>	<u>60,323,895</u>
Excess of Revenues Over (Under) Expenditures	<u>(872,098)</u>	<u>(24,937,851)</u>	<u>7,427,347</u>	<u>(516,493)</u>	<u>(18,899,095)</u>
<b>Other Financing Sources (Use)</b>					
Proceeds from Sale of Capital Assets	4,396	0	0	0	4,396
General Obligation Bonds Issued	0	24,999,999	10,000,000	0	34,999,999
Premium on Bonds Issued	0	710,593	0	0	710,593
Transfers In	0	0	0	3,851,769	3,851,769
Transfers Out	(441)	0	(3,851,328)	0	(3,851,769)
Total Other Financing Sources (Use)	<u>3,955</u>	<u>25,710,592</u>	<u>6,148,672</u>	<u>3,851,769</u>	<u>35,714,988</u>
Net Change in Fund Balances	(868,143)	772,741	13,576,019	3,335,276	16,815,893
Fund Balances (Deficit) Beginning of Year	<u>(1,914,237)</u>	<u>2,892</u>	<u>24,975,171</u>	<u>526,583</u>	<u>23,590,409</u>
Fund Balances (Deficit) End of Year	<u><u>(\$2,782,380)</u></u>	<u><u>\$775,633</u></u>	<u><u>\$38,551,190</u></u>	<u><u>\$3,861,859</u></u>	<u><u>\$40,406,302</u></u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
 Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities  
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$16,815,893

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

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

Capital Asset Additions	5,433,895	
Current Year Depreciation	(392,523)	5,041,372

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale.

In the statement of activities, a gain or loss is reported for each disposal. This is the amount of proceeds

Loss on disposal of assets	(260,730)	
Proceeds from Sale of Capital Assets	(4,396)	(265,126)

Revenues in the statement of activities that do not provide current financial resources are not

Delinquent Property Taxes	93,751	
Interest	14,571	
Grants	41,830,412	41,938,734

Long-term debt proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net assets:

Proceeds of School Improvement Bonds	(34,999,999)	
Bond Premium	(710,593)	(35,710,592)

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

Amortization of Bond Premium	16,182	
Capital Appreciation Bond Accretion	(6,640)	
Amortization of Bond Issuance Costs	(11,550)	(2,008)

Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.

521,548

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

25,000,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

(120,456)

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

519,365

Change in Net Assets of Governmental Activities

\$53,738,730

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$6,074,567	\$6,397,543	\$6,397,543	\$0
Intergovernmental	15,291,190	15,286,871	15,286,871	0
Interest	0	5,588	6,001	413
Tuition and Fees	0	160,345	160,371	26
Rentals	0	975	975	0
Extracurricular Activities	0	3,660	3,660	0
Gifts and Donations	14,827	14,827	14,827	0
Miscellaneous	456,915	41,213	26,939	(14,274)
<b>Total Revenues</b>	<b>21,837,499</b>	<b>21,911,022</b>	<b>21,897,187</b>	<b>(13,835)</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	9,335,518	9,609,308	9,609,308	0
Special	1,952,169	2,028,910	2,034,789	(5,879)
Vocational	2,155,393	2,066,981	2,064,733	2,248
Intervention	638	5,879	0	5,879
<b>Support Services:</b>				
Pupils	1,016,371	944,054	944,681	(627)
Instructional Staff	408,788	394,118	394,118	0
Board of Education	29,642	27,881	27,881	0
Administration	2,032,221	2,005,906	1,993,699	12,207
Fiscal	777,789	722,794	733,031	(10,237)
Operation and Maintenance of Plant	2,233,329	2,157,082	2,272,026	(114,944)
Pupil Transportation	2,302,885	2,196,569	2,313,121	(116,552)
Central	10,356	9,700	18,809	(9,109)
Extracurricular Activities	264,049	277,972	277,972	0
<b>Debt Service:</b>				
Principal Retirement	0	600,000	600,000	0
Interest and Fiscal Charges	0	9,667	9,667	0
<b>Total Expenditures</b>	<b>22,519,148</b>	<b>23,056,821</b>	<b>23,293,835</b>	<b>(237,014)</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(681,649)</b>	<b>(1,145,799)</b>	<b>(1,396,648)</b>	<b>(250,849)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	609,667	609,667	0	(609,667)
Advances In	189,323	189,322	189,322	0
Tax Anticipation Notes Issued	0	600,000	600,000	0
Refund of Prior Year Expenditures	32,049	43,732	43,732	0
Proceeds from Sale of Capital Assets	0	4,396	4,396	0
Other Financing Uses	(1,131)	(1,131)	0	1,131
Transfers Out	(610,108)	(610,108)	(441)	609,667
<b>Total Other Financing Sources (Uses)</b>	<b>219,800</b>	<b>835,878</b>	<b>837,009</b>	<b>1,131</b>
<b>Net Change in Fund Balance</b>	<b>(461,849)</b>	<b>(309,921)</b>	<b>(559,639)</b>	<b>(249,718)</b>
Fund Balance Beginning of Year	180,287	180,287	180,287	0
Prior Year Encumbrances Appropriated	130,387	130,387	130,387	0
<b>Fund Balance (Deficit) End of Year</b>	<b>(\$151,175)</b>	<b>\$753</b>	<b>(\$248,965)</b>	<b>(\$249,718)</b>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$0	\$53,327
Cash and Cash Equivalents in Segregated Accounts	188,701	0
Total Assets	188,701	\$53,327
<b>Liabilities</b>		
Undistributed Monies	0	\$672
Due to Students	0	52,655
Total Liabilities	0	\$53,327
<b>Net Assets</b>		
Held In Trust for Scholarships	\$188,701	

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust
<b>Additions</b>	
Interest	\$645
Decrease in Fair Value of Investments	(62)
Total Additions	583
 Change in Net Assets	 583
 Net Assets Beginning of Year	 188,118
 Net Assets End of Year	 \$188,701

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

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

The School District is the largest in square miles in the state. It is located in Monroe County and portions of Noble and Belmont Counties. The Board of Education controls the School District's thirteen instructional/support facilities staffed by 145 classified employees, 217 certificated full-time teaching personnel/administrative employees who provide services to 2,481 students and other community members.

***Reporting Entity***

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

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

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

The School District participates in three organizations which are defined as jointly governed organizations and one insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools, the Ohio Coalition of Equity and Adequacy of School Funding, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. Additional information concerning these organizations is presented in Note 16.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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## **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. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net 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. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

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

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



Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

**General Fund** The General Fund 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.

**Bond Retirement** The Bond Retirement Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

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

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

**Fiduciary Fund Types** Fiduciary fund reporting focuses on net 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's private purpose trust fund is used to award a post-secondary scholarship to student whose majors are preferred to be in the engineering, physical and biological sciences, medicine, or business fields. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., 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  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

***D. Basis of Accounting***

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

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

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

***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, 2010, but which were levied to finance fiscal year 2011 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.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

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

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

During fiscal year 2010, the School District's investments were in STAROhio and federal agency securities. 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, 2010. However, at fiscal year-end, there were no investments in STAROhio. Investments in federal agency securities are stated at fair value based on quoted market prices.

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 2010 amounted to \$6,003, of which the entire amount is assigned from other School District funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***G. Inventory***

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

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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***H. Capital Assets***

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

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

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

***I. Interfund Balances***

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

***J. Compensated Absences***

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

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

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

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

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

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

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

***M. Interfund Activity***

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

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

***N. Restricted Assets***

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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***O. 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, and property taxes.

The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

***P. 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 instructional and support services activities and resources of state and federal grants restricted for specified purposes. Of the restricted net assets, none have been restricted by enabling legislation.

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

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

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

***R. Estimates***

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

***S. Budgetary Process***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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be made by resolution of the Board of Education. The Treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

### **Note 3 - Change in Accounting Principles**

For 2010, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition,

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2010, the following funds had deficit fund balances:

	Amount
General Fund	\$2,782,380
Special Revenue Funds:	
Budget Stabilization	68,181
IDEA Part B	322,173
Miscellaneous State Grants	82,887
Miscellaneous Federal Grants	15,784

The deficit in the General Fund was created by the lack of unrestricted resources to cover operations of the fund and also by the adjustment of accrued liabilities. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending. The deficits in the special revenue funds are due to actual cash deficits and 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. The cash deficits are recorded as payables to other funds.

**B. Compliance**

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

	Amount
Special Revenue Funds:	
Food Service	\$28,636
Athletic and Music	10,507
Miscellaneous State Grants	88,263
IDEA Part B	96,696
Miscellaneous Federal Grants	3,539

The following funds had deficit cash balances contrary to Section 5705.10, Revised Code:

	Amount
Special Revenue Funds:	
Food Service Fund	\$19,859
Miscellaneous State Grants	73,661
IDEA Part B	259,503

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



Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash adjustments represent amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize 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	(\$868,143)
Net Adjustment for Revenue Accruals	679,599
Fiscal Year 2010 Unreported Cash	(19)
Fiscal Year 2009 Unreported Cash	17
Fiscal Year 2010 Prepaid Items	64,239
Fiscal Year 2009 Prepaid Items	(61,618)
Net Adjustment for Expenditure Accruals	(295,030)
Advances In	189,322
Encumbrances	<u>(268,006)</u>
Budget Basis	<u><u>(\$559,639)</u></u>

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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## **Note 6 - Deposits and Investments**

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

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

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

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

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

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

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

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end \$9,400,714 of the School District's bank balance of \$9,900,714, including the payroll account balance of \$96,887, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

***Investments***

As of June 30, 2010, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>	<u>S&amp;P Rating</u>	<u>Percent of Total Investments</u>
Federal Home Loan Mortgage - Discount Notes	\$3,064,506	10/25/2010-6/20/2011	AAA	8.92%
Federal Home Loan Bank Agency Notes	23,331,975	12/27/2010-5/11/2012	AAA	67.94%
Federal Farm Credit Corporation Agency Notes	1,369,254	7/15/2011	AAA	3.99%
Federal National Mortgage Association - Agency Notes	1,101,538	2/23/2012	AAA	3.21%
Federal Home Loan Bank Discount Note	3,775,000	7/6/2010-7/16/2010	AAA	10.99%
Federal National Mortgage Association - Discount Note	1,568,269	12/1/2010-3/1/2011	AAA	4.57%
First American Government Money Market	<u>132,501</u>	N/A	N/A	0.38%
Total	<u><u>\$34,343,043</u></u>			

**Interest Rate Risk.** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State Statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Concentration of Credit Risk.** The School District places no limit on the amount it may invest in any one issuer. The percentage that each investment represents of total investments is listed in the table above.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2010 represent collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after October 1, 2009, and are collected in 2010 with real property taxes. Public utility real property is assessed at twenty-five percent of true value.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

The School District receives property taxes from Monroe, Belmont and Noble Counties. The County Auditors periodically advance to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2010 are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2010, \$138,350 was available as an advance in the General Fund, \$7,527 was available in the Classroom Facilities Maintenance Special Revenue Fund, \$116,221 was available in the Bond Retirement Debt Service Fund and \$24,269 was available in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2009, was \$111,665 in the General Fund and \$8,433 in the Permanent Improvement Capital Projects Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been deferred.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$240,303,620	79.94%	\$244,369,180	82.31%
Public Utility Personal	60,304,610	20.06%	52,537,180	17.69%
Total	\$300,608,230	100.00%	\$296,906,360	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.90		\$46.09	

**Note 8 - Receivables**

Receivables at June 30, 2010, consisted of property taxes, accrued interest, accounts (rent, student fees and tuition), intergovernmental, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and the classroom facilities grant, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. The portion of the State Classroom Facilities Grant totaling \$53,010,672 that will be paid to the School District through the Ohio School Facilities Commission for future construction will not be collected within one year.

During fiscal year 2010, the School District was awarded \$53,010,672 for building construction and renovations under the State's "Classroom Facilities Program". Under this program, the School District entered into an agreement with the State of Ohio in which the State would pay for a portion of the estimated project costs. As part of the process, the School District maintains a fund into which a set amount of proceeds from a levy is receipted for facilities maintenance. As of the end of the fiscal year 2010, the School District had received \$11,291,052 of the monies awarded under this program. The remaining amount of \$41,719,620 is recorded as a receivable. \$178,222 of this amount was received in the available period and the rest is deferred revenue on the balance sheet.

A summary of principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities:</b>	
Technology Grant	\$720
Title I Grants	342,628
Drug Free Grant	502
Title II-A Grant	57,058
Build America Bonds Subsidy	45,372
Food Service Reimbursements	188,768
IDEA Part B	86,924
Title VI-B	38,174
Auxiliary Services	4,435
Outdoor Classroom Grant	6,600
Ohio School Facilities Grant	41,719,620
Miscellaneous Receivables	32,309
Total	\$42,523,110

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at June 30, 2009	Additions	Deletions	Balance at June 30, 2010
<b>Non-Depreciable Capital Assets:</b>				
Land and Land Improvements	\$898,140	\$435,204	\$0	\$1,333,344
Construction in Progress	39,393	4,387,770	0	4,427,163
<b>Total Non-Depreciable Capital Assets</b>	<b>937,533</b>	<b>4,822,974</b>	<b>0</b>	<b>5,760,507</b>
<b>Depreciable Capital Assets:</b>				
Buildings and Improvements	13,590,129	98,937		13,689,066
Furniture and Equipment	3,952,375	49,214	(3,916)	3,997,673
Vehicles	3,654,267	462,770	(544,508)	3,572,529
<b>Total Capital Assets Being Depreciated</b>	<b>21,196,771</b>	<b>610,921</b>	<b>(548,424)</b>	<b>21,259,268</b>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,713,775)	(183,972)		(8,897,747)
Furniture and Equipment	(2,634,070)	(54,112)	3,916	(2,684,266)
Vehicles	(1,761,109)	(154,439)	279,382	(1,636,166)
<b>Total Accumulated Depreciation</b>	<b>(13,108,954)</b>	<b>(392,523) *</b>	<b>283,298</b>	<b>(13,218,179)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>8,087,817</b>	<b>218,398</b>	<b>(265,126)</b>	<b>8,041,089</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$9,025,350</b>	<b>\$5,041,372</b>	<b>(\$265,126)</b>	<b>\$13,801,596</b>

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

Instruction:	
Regular	\$85,266
Special	18,397
Vocational	27,197
Support Services:	
Pupils	7,304
Instructional Staff	7,704
Administration	12,242
Fiscal	1,840
Operation and Maintenance of Plant	28,353
Pupil Transportation	183,104
Central	1,840
Operation of Non-Instructional Services	19,276
<b>Total Governmental Depreciation</b>	<b>\$392,523</b>

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**Note 10 - Interfund Balances and Transfers**

**A. Interfund Balances**

The governmental balance sheet is showing interfund receivables and payables in the amount of \$353,029. This receivable is the result of loans made to the following nonmajor governmental funds:

Interfund Payable	Interfund Receivable			Total
	Major Funds		Other Nonmajor Govern- mental	
	General	Bond Retirement		
Other Nonmajor Governmental	\$13,358	\$273,615	\$66,056	\$353,029

Actual cash deficit balances in the Food Service, Miscellaneous State Grants, and Title VI-B Special Revenue Funds were covered by cash from the General Fund, Education Stabilization Special Revenue Fund, and the Bond Retirement Debt Service Fund.

**B. Interfund Transfers**

During fiscal year 2010, the School District recorded transfers in the following funds:

Transfer From	Transfer To Other Nonmajor Governmental
General Fund	\$441
Classroom Facilities Capital Projects Fund	3,851,328
Total All Funds	\$3,851,769

The transfers to the above funds were to help subsidize these programs due to insufficient grant subsidies. In addition, the transfer from the Classroom Facilities Capital Projects Fund was to reallocate debt proceeds to the Local Funded Initiatives Capital Projects Fund.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**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 2010 the School District purchased the following coverage:

<u>Ohio Casualty</u>		
Fleet Insurance:		
Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$1,000,000	any one accident
Physical Damage Comprehensive	actual cash value	\$250 deductible
Physical Damage Collision	actual cash value	\$250 deductible
Commercial Property	\$53,517,279	
Equipment Breakdown	\$25,000 - \$100,000	
Contractors' Equipment Coverage	\$10,813	\$500 deductible
Commercial General Liability	\$1,000,000	each occurrence
Self Insured Retention	\$10,000	each occurrence
Employee Benefits	\$1,000,000	each occurrence
Employers Stop Gap Liability	\$1,000,000	each occurrence
School Leaders Errors and Omissions Liability	\$1,000,000	\$5,000 deductible
Sexual Misconduct and Molestation Liability	\$1,000,000	each occurrence
Violent Event Response Coverage	\$300,000	aggregate
Builders' Risk	\$9,040,914	\$5,000 deductible
Builders' Risk	\$11,983,499	\$5,000 deductible
Builders' Risk	\$13,358,242	\$5,000 deductible
<u>Westfield Insurance Company</u>		
Commercial Crime Coverage	\$10,000	No deductible
<u>Allstate</u>		
Flood Insurance	\$41,300-\$390,500	\$1,000-\$2,000 deductible
<u>Ohio Farmers Insurance Company</u>		
Superintendent Bond	\$20,000	
Treasurer Bond	\$25,000	

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

**B. Workers' Compensation**

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience as a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based



Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Note 12 - Other Employee Benefits**

***A. Compensated Absences***

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is limited to 260 days. 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 Anthem Life Insurance Company. Coverage in the amount of \$50,000 is provided for all certified and non-certified employees. Administrators have coverage of twice their salary amount with a maximum of \$100,000.

The School District has contracted with Anthem Blue Cross/Blue Shield Insurance Company to provide employee health, prescription, and dental benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for health and prescription benefits. For fiscal year 2010, the School District paid ninety percent of the premiums for health and prescription and employees paid ten percent. The premium for dental coverage was funded entirely by the School District.

The School District has contracted with Vision Service Plan to provide employee vision benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for vision benefits. For fiscal year 2010, the School District paid ninety percent of the premium and the employees paid ten percent.

***C. Retirement Incentive Payable***

The School District's negotiated agreement with the Switzerland of Ohio Education Association provides for payment of one-half of total accumulated sick leave to any certificated staff who is covered under their contract and retires in the first year that they become eligible to receive benefits from the State Teachers Retirement System. Any certificated staff covered under this contract who retires at any other time is eligible to receive one-fourth of their accumulated sick leave. However, during fiscal year, there was a Memorandum of Understanding between the School District and the Switzerland of Ohio Education Association where, for fiscal year 2010 only, any teacher currently eligible to retire but otherwise ineligible to receive one-half of total accumulated sick leave, may retire and receive this increased incentive amount. At June 30, 2010, there was a liability of \$97,627 for this benefit payable in fiscal year 2011.

## **Note 13 - Defined Benefit Pension Plans**

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

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 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 2010, 12.78 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$494,591, \$276,938, and \$251,092 respectively; 48.64 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 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 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, 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 STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$1,382,786, \$1,335,687, and \$1,211,687 respectively; 82.14 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$27,779 made by the School District and \$19,842 made by the 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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, one member of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

## **Note 14 - Postemployment Benefits**

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

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,357, \$170,737, and \$177,937 respectively; 100 percent has been contributed for fiscal years 2010, 2009, and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$25,765, \$24,337, and \$18,729 respectively; 41.37 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$106,368, \$102,745, and \$93,207 respectively; 82.14 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**Note 15 - Long-Term Obligation**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Outstanding 06/30/09	Additions	Reductions	Outstanding 06/30/10	Amounts Due Within One Year
<b>Governmental Activities</b>					
Long-Term Bond Anticipation Note:					
2009 2.9% School Improvement Note	\$25,000,000	\$0	(\$25,000,000)	\$0	\$0
School Improvement Bonds:					
2009 1.65% Qualified School Construction Bonds - \$10,000,000	0	10,000,000	0	10,000,000	0
2009 2.00%-3.30% Tax-Exempt Serial Bonds - \$30,000	0	30,000	0	30,000	5,000
2009 4.00% Tax-Exempt Term Bonds - \$405,000	0	405,000	0	405,000	0
2009 6.30%-6.80% Build America Serial Bonds - \$22,725,000	0	22,725,000	0	22,725,000	0
2009 5.75%-6.05% Build America Term Bonds - \$1,775,000	0	1,775,000	0	1,775,000	0
2009 4.25%-4.65% Tax Exempt Capital Appreciation Bonds - \$64,999	0	64,999	0	64,999	0
Capital Appreciation Bonds Accretion - \$300,001 - 18.3726%	0	6,640	0	6,640	0
Bond Premium	0	710,593	(16,182)	694,411	0
<b>Total School Improvement Bonds</b>	<b>0</b>	<b>35,717,232</b>	<b>(16,182)</b>	<b>35,701,050</b>	<b>5,000</b>
Compensated Absences	1,857,765	(186,297)	(333,068)	1,338,400	243,072
<b>Total Long-Term Obligations</b>	<b>\$26,857,765</b>	<b>\$35,530,935</b>	<b>(\$25,349,250)</b>	<b>\$37,039,450</b>	<b>\$248,072</b>

***Long-Term Bond Anticipation Note***

During fiscal year 2009, the School District issued a \$25,000,000 School Improvement Bond Anticipation Note that matured on November 17, 2009. The note was issued to fund the local share of the Ohio School Facilities Commission Classroom Facilities Project. The note was retired during fiscal year 2010 by the issuance of bonds.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

***School Improvement Bonds***

During fiscal year 2010, the School District issued \$10,000,000 in Qualified School Construction Bonds (QSCBs) in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds were issued for the purpose of paying a portion of the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, building demolition, other site improvements, and all necessary appurtenances thereto. The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009. In accordance with bond covenants, the School District shall deposit in the Sinking Fund for the accumulation of funds necessary to pay the bonds at maturity. The School District shall deposit monies annually on September 15 of each year as needed so that the balance in the Sinking Fund (taking into account the interest earned on such fund) shall be equal to and not exceed the amounts set forth below. The principal (sinking fund deposits) and interest requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$0	\$165,000	\$165,000
2012	250,000	165,000	415,000
2013	675,000	165,000	840,000
2014	700,000	165,000	865,000
2015	725,000	165,000	890,000
2016-2020	3,825,000	825,000	4,650,000
2021-2025	3,825,000	742,500	4,567,500
Totals	\$10,000,000	\$2,392,500	\$12,392,500

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

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

During fiscal year 2010, the School District issued \$24,999,999 in School Improvement Bonds. The issue consisted of tax exempt bonds (serial, term, and capital appreciation) and Build America Bonds (BABs). The bonds were issued for the purpose of repaying outstanding bond anticipation notes issued for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, building demolition, other site improvements, and all appurtenances thereto.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009.

The capital appreciation bonds for this issue mature December 1, 2017, 2018, 2019, and 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of outstanding capital appreciation bonds is \$365,000. The 2010 accretion was \$6,640 leaving a total bond liability of \$71,639.

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

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

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

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

The 2009 BABs term bonds due December 1, 2028 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2026, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2026	\$1,320,000
2027	1,395,000

Unless otherwise called for redemption, the remaining \$1,475,000 principal amount of the 2009 BABs bonds due December 1, 2028 is to be paid at stated maturity.

The 2009 BABs term bonds due December 1, 2031 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year (December 1)</u>	<u>Principal Amount to be Redeemed</u>
2029	\$1,615,000
2030	1,705,000

Unless otherwise called for redemption, the remaining \$1,800,000 principal amount of the 2009 BABs bonds due December 1, 2031 is to be paid at stated maturity.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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The 2009 BABs term bonds due December 1, 2034 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2032, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year (December 1)	Principal Amount to be Redeemed
2032	\$1,920,000
2033	2,025,000

Unless otherwise called for redemption, the remaining \$2,135,000 principal amount of the 2009 BABs bonds due December 1, 2034 is to be paid at stated maturity.

The 2009 BABs term bonds due December 1, 2037 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2035, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year (December 1)	Principal Amount to be Redeemed
2035	\$2,315,000
2036	2,445,000

Unless otherwise called for redemption, the remaining \$2,575,000 principal amount of the 2009 BABs bonds due December 1, 2034 is to be paid at stated maturity.

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

The Series 2009 BABs are subject to optional redemption, in whole or in part on any date in any order of maturity as determined by the Board of Education and by lot within a maturity, at the option of the Board of Education on or after December 1, 2019 at par, which is 100 percent of the face value of the Series 2009 BABs.

The Series 2009 BABs are subject to extraordinary optional redemption by the School District prior to maturity, in whole at any time or in part on any interest payment date, at a redemption price of 100 percent (expressed as a percentage of the principal amount), plus interest accrued to the date fixed for redemption in the event that the Build America payments from the federal government cease or are in an amount less than 35 percent of the corresponding interest payable on the Series 2009 BABs.

As part of the ARRA act of 2009, issuers of QSCBs are eligible to receive direct payments from the federal government which offset interest payments on the bonds. As an alternate, QSCBs may be issued as tax credit bonds under which bond holders receive federal tax credits in lieu of interest as a means to significantly reduce the issuer's interest cost. The School District, under agreement with the federal government, has chosen to receive a thirty-five percent semi-annual direct payment from the federal government to help offset interest expense on the QSCBs.



Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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

Fiscal Year Ending June 30,	Principal	Interest	Subsidy	Total
2011	\$5,000	\$1,609,247	(\$563,237)	\$1,051,010
2012	5,000	1,609,247	(563,237)	1,051,010
2013	5,000	1,609,247	(563,237)	1,051,010
2014	5,000	1,609,247	(563,237)	1,051,010
2015	5,000	1,609,247	(563,237)	1,051,010
2016-2020	5,000	8,046,237	(2,816,183)	5,235,054
2021-2025	945,000	8,015,765	(2,805,518)	6,155,247
2026-2030	7,040,000	6,849,261	(2,397,241)	11,492,020
2031-2035	9,585,000	4,164,977	(1,457,742)	12,292,235
2036-2038	7,335,000	765,850	(268,048)	7,832,802
Totals	<u>\$24,935,000</u>	<u>\$35,888,325</u>	<u>(\$12,560,917)</u>	<u>\$48,262,408</u>

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

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

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

***Compensated Absences***

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

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

***A. Jointly Governed Organizations***

The **Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)** was created as a regional council of governments pursuant to State statutes. OME-RESA's participants consist of school districts and educational service centers. OME-RESA provides financial accounting services, educational management information, legal services, and cooperative purchasing services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the governing board. OME-ESA has no outstanding debt. During fiscal year 2010, the School District paid \$74,059 to OME-RESA.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. The board members consist of one member elected and one member appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from the Ohio University College of Education. The Coalition provides various in-service functions for school district 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. During fiscal year 2010, the School District paid \$300 to the Coalition.

The **Ohio Coalition of Equity and Adequacy of School Funding** is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2010, the School District paid \$1,297 to the Coalition.

***B. Insurance Purchasing Pool***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School enrollment fee for fiscal year 2010 was \$1,794.

**Note 17 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2010.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**B. Litigation**

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

**Note 18 - Set-Asides**

The School District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the 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 monies remaining in the budget reserve. In prior years, the Board of Education authorized the expenditure of the budget reserve amount pursuant to State statute, and as a result no budget reserve exists at June 30, 2010.

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

	Capital	
	Textbooks	Improvements
Excess qualified expenditures from prior years	(\$3,008,365)	\$0
Current year set-aside requirement	377,982	377,982
Current year qualifying expenditures	(224,570)	(190,687)
Current year offsets	(711,250)	(187,295)
Total	(\$3,566,203)	\$0
Set-aside balance carried forward to future fiscal years	(\$3,566,203)	\$0
Set-aside reserve balance as of June 30, 2010	\$0	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook 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. Excess qualified expenditures for capital improvements and excess annual offsets do not carry forward.

Debt proceeds may be used to reduce the capital set-aside reserve. The amount used each fiscal year is limited to the amount of revenue collected to service the debt or the set-aside balance less any offsets and qualified expenditures. The 2009 school improvement bonds proceeds less the accumulated amount of debt proceeds used as an offset is carried forward to future fiscal years until consumed. The amount of debt proceeds that may be used as an offset in future fiscal years is \$33,769,220.

Switzerland of Ohio Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Note 19 - Contractual Commitments**

As of June 30, 2010, the School District had contractual purchase commitments relating to the Classroom Facilities Project:

Contractor	Purchase Commitments	Amounts Paid as of 06/30/2010	Amounts Remaining on Contracts
Balog Steins Hendricks & Manchester Architects	\$4,126,180	\$1,866,293	\$2,259,887
Project Cost Services	4,650,921	966,565	3,684,356
R. F. Scurlock Company	1,382,284	898,177	484,107
	<u>\$10,159,385</u>	<u>\$3,731,035</u>	<u>\$6,428,350</u>

**Note 20 - Subsequent Events**

On July 31, 2010, the School District was placed in fiscal caution by the Ohio Department of Education and was required to submit a fiscal caution proposal by October 31, 2010 to address the projected deficit. The School District had submitted a plan to the Ohio Department of Education but has not yet been accepted.

Effective July 1, 2010, the information technology portion of the OME-RESA consortium has been dissolved. On July 1, 2010, the Ohio Mid-Eastern Regional Educational Service Agency Information Technology Center Council of Governments (OMERESA Council) was established pursuant to Ohio Revised Code Section 167.01. The Board of Education of Switzerland of Ohio Local School District has passed a resolution approving membership in the OMERESA Council and is currently receiving information technology services through the Council.

Effective July 1, 2010, the SERS has changed the Ohio Department of Education Foundation Program deductions for traditional public schools from a calendar year basis, six month in arrears, to a fiscal year basis, which will coincide with the participating School Districts' fiscal year. As a result, the Foundation deductions which would have been collected six months in arrears became due June 30, 2010. Switzerland of Ohio Local District will have the balance due paid in equal installments over a six year period beginning July, 2010.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2009/2010	10.555	\$ 25,368	\$ 25,368
Cash Assistance:				
School Breakfast Program	2009/2010	10.553	274,175	274,175
National School Lunch Program	2009/2010	10.555	671,566	671,566
Cash Assistance Subtotal			<u>945,741</u>	<u>945,741</u>
Total Child Nutrition Cluster			<u>971,109</u>	<u>971,109</u>
Specialty Crop Block Grant Program - Farm Bill	2010	10.170	<u>2,000</u>	<u>2,000</u>
Total U.S. Department of Agriculture			973,109	973,109
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Adult Education Basic Grants to States	2009	84.002		7,083
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2009	84.010	2,329	116,470
	2010		650,942	637,400
Title I Grants to Local Educational Agencies Subtotal			<u>653,271</u>	<u>753,870</u>
ARRA - Title I, Grants to Local Educational Agencies, Recovery Act	2010	84.389	<u>262,135</u>	<u>173,638</u>
Total Title I, Part A Cluster			915,406	927,508
Special Education Cluster:				
Special Education - Grants to States	2010	84.027	577,092	577,092
ARRA - Special Education - Grants to States, Recovery Act	2010	84.391	<u>307,065</u>	<u>357,620</u>
Total Special Education Cluster			884,157	934,712
Career and Technical Education Basic Grants to States	2009	84.048	14,681	5,446
	2010		48,540	38,515
Total Career and Technical Education Basic Grants to States			<u>63,221</u>	<u>43,961</u>
Safe and Drug Free Schools and Communities - State Grants	2009	84.186		197
	2010		11,723	11,351
Total Safe and Drug Free Schools and Communities - State Grants			<u>11,723</u>	<u>11,548</u>
Education Technology State Grants	2009	84.318	6,479	5,428
Rural Education	2010	84.358	28,322	23,371
Improving Teacher Quality State Grants	2009	84.367	7,835	34,449
	2010		209,684	218,020
Total Improving Teacher Quality State Grants			<u>217,519</u>	<u>252,469</u>
School Improvement Grants	2009	84.377	5,000	16,945
	2010		35,580	35,580
Total School Improvement Grants			<u>40,580</u>	<u>52,525</u>
ARRA - School Fiscal Stabilization Fund, Recovery Act	2010	84.394	<u>847,329</u>	<u>781,275</u>
Total U.S. Department of Education			3,014,736	3,039,880
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program		93.778	<u>70,160</u>	<u>70,160</u>
Total U.S. Department of Health and Human Services			<u>70,160</u>	<u>70,160</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 4,058,005</u></b>	<b><u>\$ 4,083,149</u></b>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 21, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 21, 2011.

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies, pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 21, 2011





# Dave Yost • Auditor of State

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

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

To the Board of Education:

### 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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### **Internal Control Over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 21, 2011.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 21, 2011

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, Part A Cluster – CFDA #84.010 and #84.389  Special Education Cluster – CFDA #84.027 and #84.391  ARRA-School Fiscal Stabilization Fund, Recovery Act – CFDA #84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



# Dave Yost • Auditor of State

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 10, 2011