



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
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.....	51
Notes to the Federal Awards Receipts and Expenditures Schedule	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
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	55
Schedule of Findings and Questioned Costs - OMB Circular A-133 § .505	59
Independent Accountants' Report on Applying Agreed-Upon Procedure	65

This page intentionally left blank



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, 2011, 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 2011, 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.

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

As described in Note 3, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2012, 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 18, 2012

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Switzerland of Ohio Local School District's (the School District) financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$3,961,942.
- General revenues accounted for \$29,601,357 in revenue or 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$5,390,227 or 15 percent of total revenues of \$34,991,584.
- Total assets of governmental activities increased by \$8,876,167 and total liabilities increased \$4,914,225.
- The School District had \$31,029,642 in expenses related to governmental activities; only \$5,390,227 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 \$29,601,357 were adequate to provide for these programs.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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.

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 2010-2011 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.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General 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.

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 2011 compared to fiscal year 2010:

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Assets			
Current and Other Assets	\$88,999,916	\$94,548,428	(\$5,548,512)
Capital Assets	<u>28,226,275</u>	<u>13,801,596</u>	<u>14,424,679</u>
Total Assets	<u>117,226,191</u>	<u>108,350,024</u>	<u>8,876,167</u>
Liabilities			
Long-Term Liabilities	37,003,638	37,039,450	(35,812)
Other Liabilities	<u>16,202,376</u>	<u>11,252,339</u>	<u>4,950,037</u>
Total Liabilities	<u>53,206,014</u>	<u>48,291,789</u>	<u>4,914,225</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	21,941,446	12,608,504	9,332,942
Restricted	44,371,680	51,418,246	(7,046,566)
Unrestricted (Deficit)	<u>(2,292,949)</u>	<u>(3,968,515)</u>	<u>1,675,566</u>
Total Net Assets	<u><u>\$64,020,177</u></u>	<u><u>\$60,058,235</u></u>	<u><u>\$3,961,942</u></u>

Total assets increased \$8,876,167. Cash and cash equivalents increased by \$18,155,350 which is largely due to the influx of money from the American Recovery and Reinvestment Act which helped with future budget stabilization and unspent proceeds from the prior year debt issue for the Classroom Facilities Project. Property taxes receivable increased in the amount of \$4,321,583. The School District is one of many entities that benefit from the construction and operation of a public utility pipeline installed and operating with the School District boundaries. Capital assets, mainly construction in progress, increased by \$14,424,679. Prior year's unspent debt proceeds are now being capitalized into building construction and improvements. In addition to the increase in construction in progress, current year capital asset additions exceed current year depreciation. Offsetting these increases are decreases in investments in segregated accounts and intergovernmental receivables. Both of these decreases are the direct result of the continued participation in the Ohio School Facilities Commission building project. As the construction progresses, the School District spends the amounts it has invested and also the amount granted to them by the State.

In total, liabilities increased by \$4,914,225. Accounts payable and retainage payable have increased due to the increased activity associated with the Ohio School Facilities Commission building project. Expenditures are increasing as the construction progresses as compared to the prior year when payments were for the initial contract services associated with the planning phase of the project. Deferred revenue increased in the amount of \$2,945,993 which is due to the timing of advances against, and collection of, property taxes receivable.

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 \$3,961,942. The biggest change is in invested in capital assets, net of related debt, and restricted net assets. As mentioned above, unspent debt proceeds that were restricted to capital outlay are now being reflected as invested in capital assets, net of related debt.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for fiscal year 2011, and comparisons to fiscal year 2010:

Table 2
Changes in Net Assets

	Governmental Activities		
	2011	2010	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$739,247	\$657,655	\$81,592
Operating Grants, Contributions, and Interest	4,414,562	4,660,624	(246,062)
Capital Grants and Contributions	236,418	235,278	1,140
Total Program Revenues	<u>5,390,227</u>	<u>5,553,557</u>	<u>(163,330)</u>
General Revenues			
Property Taxes	12,027,887	8,444,566	3,583,321
Grants and Entitlements	17,173,694	69,040,471	(51,866,777)
Investment Earnings	237,875	193,751	44,124
Gain on Sale of Capital Asset	13,572	0	13,572
Miscellaneous	148,329	131,189	17,140
Total General Revenues	<u>29,601,357</u>	<u>77,809,977</u>	<u>(48,208,620)</u>
Total Revenues	<u>34,991,584</u>	<u>83,363,534</u>	<u>(48,371,950)</u>
Program Expenses			
Instruction			
Regular	10,774,199	10,959,950	(185,751)
Special	3,302,192	3,069,516	232,676
Vocational	2,192,611	2,019,149	173,462
Adult/Continuing	0	1,001	(1,001)
Intervention	4,672	0	4,672
Support Services			
Pupils	1,235,927	1,167,165	68,762
Instructional Staff	816,362	789,286	27,076
Board of Education	37,366	27,058	10,308
Administration	2,112,219	2,207,778	(95,559)
Fiscal	885,034	804,045	80,989
Operation and Maintenance of Plant	2,533,723	1,823,479	710,244
Pupil Transportation	2,829,121	3,159,328	(330,207)
Central	286,043	120,740	165,303
Operation of Non-Instructional Services	1,539,209	1,441,527	97,682
Extracurricular Activities	656,666	630,908	25,758
Interest	1,824,298	1,403,874	420,424
Total Expenses	<u>31,029,642</u>	<u>29,624,804</u>	<u>1,404,838</u>
Change in Net Assets	3,961,942	53,738,730	(49,776,788)
Net Assets Beginning of Year	<u>60,058,235</u>	<u>6,319,505</u>	<u>53,738,730</u>
Net Assets End of Year	<u>\$64,020,177</u>	<u>\$60,058,235</u>	<u>\$3,961,942</u>

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 34 percent of governmental activities revenues for the School District in fiscal year 2011. The remaining 66 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 \$591,961 in open enrollment in fiscal year 2011, which results in local tax dollars going to other school districts.

The School District's direct charges to users of governmental activities made up \$739,247 or two 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 \$17,173,694 or 49 percent of total revenues. This amount largely represents unrestricted operating foundation from the State.

As can be seen from Table 2, the change in net assets shows an increase in the amount of \$3,961,942 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, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 3
Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program Expenses				
Instruction				
Regular	\$10,774,199	\$10,308,025	\$10,959,950	\$10,512,746
Special	3,302,192	2,176,701	3,069,516	1,823,849
Vocational	2,192,611	1,600,348	2,019,149	1,391,946
Adult/Continuing	0	0	1,001	(5)
Intervention	4,672	3,956	0	0
Support Services				
Pupils	1,235,927	1,096,717	1,167,165	982,784
Instructional Staff	816,362	462,233	789,286	334,756
Board of Education	37,366	37,366	27,058	27,058
Administration	2,112,219	1,960,934	2,207,778	2,049,917
Fiscal	885,034	812,491	804,045	787,234
Operation and Maintenance of Plant	2,533,723	2,479,423	1,823,479	1,791,064
Pupil Transportation	2,829,121	2,398,853	3,159,328	2,670,853
Central	286,043	223,774	120,740	58,826
Operation of Non-Instructional Services	1,539,209	(144,097)	1,441,527	(128,020)
Extracurricular Activities	656,666	398,393	630,908	364,365
Interest	1,824,298	1,824,298	1,403,874	1,403,874
Total	<u>\$31,029,642</u>	<u>\$25,639,415</u>	<u>\$29,624,804</u>	<u>\$24,071,247</u>

The dependence upon tax revenues and unrestricted government subsidies for governmental activities is apparent. Approximately 87 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 \$57,381,735 and expenditures of \$45,438,865. 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 \$8,721,533 which is a direct result of the receipt of grant monies from the State that will be converted to capital outlay expenses.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The School District amended its General Fund throughout the year, but the amendments were not significant. The net change in fund balance was a minimal amount of \$62,058 higher than the final estimate primarily due to final expenditures being less than final budgeted amounts.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

For the General Fund, budget basis revenues were \$18,906 below final estimates of \$23,281,597. 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 \$63,561 and was \$62,058 higher than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$28,226,275 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, 2011, the School District had \$35,675,279 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 Switzerland of Ohio Local School District did not end fiscal year 2011 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, 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@omeresana.net.

This page intentionally left blank.

Switzerland of Ohio Local School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,026,096
Cash and Cash Equivalents in Segregated Accounts	23,011,268
Prepaid Items	71,759
Accounts Receivable	36,439
Intergovernmental Receivable	19,678,282
Inventory Held for Resale	18,134
Materials and Supplies Inventory	1,904
Accrued Interest Receivable	20,159
Property Taxes Receivable	12,470,282
Investments in Segregated Accounts	29,178,706
Deferred Charges	486,887
Nondepreciable Capital Assets	20,129,483
Depreciable Capital Assets, Net	8,096,792
Total Assets	117,226,191
Liabilities	
Matured Compensated Absences Payable	91,691
Accounts Payable	1,900,474
Contracts Payable	90,337
Retainage Payable	424,671
Accrued Wages and Benefits Payable	2,296,690
Retirement Incentive Payable	85,018
Intergovernmental Payable	957,910
Accrued Interest Payable	180,042
Deferred Revenue	10,175,543
Long-Term Liabilities:	
Due Within One Year	482,640
Due In More Than One Year	36,520,998
Total Liabilities	53,206,014
Net Assets	
Invested in Capital Assets, Net of Related Debt	21,941,446
Restricted for:	
Debt Service	1,501,424
Capital Projects	41,839,795
Classroom Facilities Maintenance	314,417
Food Service Operations	205,187
Other Purposes	505,191
Unclaimed Monies	5,666
Unrestricted (Deficit)	(2,292,949)
Total Net Assets	\$64,020,177

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	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
Governmental Activities					
Instruction:					
Regular	\$10,774,199	\$78,131	\$348,005	\$40,038	(\$10,308,025)
Special	3,302,192	0	1,124,604	887	(2,176,701)
Vocational	2,192,611	137,702	454,561	0	(1,600,348)
Student Intervention	4,672	0	716	0	(3,956)
Support Services:					
Pupils	1,235,927	0	139,210	0	(1,096,717)
Instructional Staff	816,362	0	348,971	5,158	(462,233)
Board of Education	37,366	0	0	0	(37,366)
Administration	2,112,219	0	149,740	1,545	(1,960,934)
Fiscal	885,034	0	63,439	9,104	(812,491)
Operation and Maintenance of Plant	2,533,723	13,664	9,868	30,768	(2,479,423)
Pupil Transportation	2,829,121	0	281,350	148,918	(2,398,853)
Central	286,043	0	62,269	0	(223,774)
Operation of Non-Instructional Services:					
Food Service Operations	1,469,717	254,767	1,374,274	0	159,324
Other Non-Instructional Services	69,492	0	54,265	0	(15,227)
Extracurricular Activities	656,666	254,983	3,290	0	(398,393)
Interest	1,824,298	0	0	0	(1,824,298)
Total Governmental Activities	\$31,029,642	\$739,247	\$4,414,562	\$236,418	(25,639,415)

General Revenues

Property Taxes Levied for:

General Purposes	8,798,187
Debt Service	2,462,426
Capital Outlay	610,635
Building Maintenance	156,639

Grants and Entitlements not Restricted

to Specific Programs	17,173,694
Investment Earnings	237,875
Gain on Sale of Capital Assets	13,572
Miscellaneous	148,329
Total General Revenues	29,601,357

Change in Net Assets 3,961,942

Net Assets Beginning of Year 60,058,235

Net Assets End of Year \$64,020,177

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	OSFC Project	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$86,698	\$0	\$3,933,732	\$4,020,430
Cash and Cash Equivalents in Segregated Accounts	0	23,011,268	0	23,011,268
Investments in Segregated Accounts	0	26,376,783	2,801,923	29,178,706
Materials and Supplies Inventory	0	0	1,904	1,904
Inventory Held for Resale	0	0	18,134	18,134
Accrued Interest Receivable	0	19,583	576	20,159
Accounts Receivable	22,833	0	13,606	36,439
Interfund Receivable	152,794	0	0	152,794
Intergovernmental Receivable	18,961	19,183,405	475,916	19,678,282
Prepaid Items	66,485	5,223	51	71,759
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	5,666	0	0	5,666
Property Taxes Receivable	9,171,918	0	3,298,364	12,470,282
Total Assets	<u>\$9,525,355</u>	<u>\$68,596,262</u>	<u>\$10,544,206</u>	<u>\$88,665,823</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$91,656	\$1,777,564	\$31,254	\$1,900,474
Contracts Payable	0	90,337	0	90,337
Retainage Payable	0	424,671	0	424,671
Accrued Wages and Benefits Payable	1,828,728	0	467,962	2,296,690
Interfund Payable	0	0	152,794	152,794
Intergovernmental Payable	791,986	36	165,888	957,910
Matured Compensated Absences Payable	72,328	0	19,363	91,691
Retirement Incentive Payable	85,018	0	0	85,018
Deferred Revenue	8,097,550	19,030,931	3,167,420	30,295,901
Total Liabilities	<u>10,967,266</u>	<u>21,323,539</u>	<u>4,004,681</u>	<u>36,295,486</u>
Fund Balances				
Nonspendable:				
Inventories	0	0	20,038	20,038
Prepaid Items	66,485	5,223	51	71,759
Unclaimed Monies	5,666	0	0	5,666
Restricted for:				
Food Service Operations	0	0	208,058	208,058
Capital Improvements	0	47,267,500	3,736,133	51,003,633
Debt Service	0	0	2,231,899	2,231,899
Classroom Facilities Maintenance	0	0	307,250	307,250
State Grant Expenditures	0	0	6,966	6,966
Federal Grant Expenditures	0	0	257,772	257,772
Other Purposes	0	0	43,302	43,302
Committed to Scholarships	0	0	42,082	42,082
Assigned to Other Purposes	29,442	0	0	29,442
Unassigned (Deficit)	(1,543,504)	0	(314,026)	(1,857,530)
Total Fund Balances (Deficit)	<u>(1,441,911)</u>	<u>47,272,723</u>	<u>6,539,525</u>	<u>52,370,337</u>
Total Liabilities and Fund Balances	<u>\$9,525,355</u>	<u>\$68,596,262</u>	<u>\$10,544,206</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.				28,226,275
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:				
Property Taxes			833,712	
Interest			20,159	
Grants			19,266,487	20,120,358
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds				486,887
Long-term liabilities and accrued interest and not due and payable in the current period and therefore are not reported in the funds:				
Qualified School Construction Bonds			(10,000,000)	
School Improvement Serial and Term Bonds			(24,935,000)	
Capital Appreciation Bonds			(64,999)	
Capital Appreciation Bonds Accretion			(13,238)	
Bond Premium			(662,042)	
Compensated Absences Payable			(1,328,359)	
Accrued Interest Payable			(180,042)	(37,183,680)
Net Assets of Governmental Activities				<u>\$64,020,177</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	OSFC Project	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$8,569,164	\$0	\$3,257,793	\$11,826,957
Intergovernmental	15,125,779	22,530,050	6,706,611	44,362,440
Interest	8,259	209,145	15,133	232,537
Tuition and Fees	143,879	0	0	143,879
Extracurricular Activities	4,791	0	199,195	203,986
Rentals	13,664	0	0	13,664
Charges for Services	71,954	0	305,764	377,718
Gifts and Donations	16,731	0	55,494	72,225
Miscellaneous	140,749	7,200	380	148,329
Total Revenues	24,094,970	22,746,395	10,540,370	57,381,735
Expenditures				
Current:				
Instruction:				
Regular	8,696,616	0	2,022,381	10,718,997
Special	2,099,842	0	1,145,910	3,245,752
Vocational	2,174,418	0	9,421	2,183,839
Student Intervention Services	4,130	0	542	4,672
Support Services:				
Pupils	1,057,123	0	179,327	1,236,450
Instructional Staff	436,420	0	386,838	823,258
Board of Education	37,366	0	0	37,366
Administration	1,922,681	0	174,107	2,096,788
Fiscal	740,390	0	138,741	879,131
Operation and Maintenance of Plant	2,237,770	0	99,358	2,337,128
Pupil Transportation	2,411,831	0	667,805	3,079,636
Central	199,834	0	83,065	282,899
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,450,449	1,450,449
Other Non-Instructional Services	0	0	69,439	69,439
Extracurricular Activities	390,282	0	266,384	656,666
Capital Outlay	0	14,437,763	107,424	14,545,187
Debt Service:				
Interest and Fiscal Charges	0	0	1,791,208	1,791,208
Total Expenditures	22,408,703	14,437,763	8,592,399	45,438,865
Excess of Revenues Over Expenditures	1,686,267	8,308,632	1,947,971	11,942,870
Other Financing Sources (Use)				
Proceeds from Sale of Capital Assets	2,026	0	100	2,126
Insurance Recoveries	5,009	0	14,030	19,039
Transfers In	0	412,901	366,495	779,396
Transfers Out	(366,495)	0	(412,901)	(779,396)
Total Other Financing Sources (Use)	(359,460)	412,901	(32,276)	21,165
Net Change in Fund Balances	1,326,807	8,721,533	1,915,695	11,964,035
Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)	(2,768,718)	38,551,190	4,623,830	40,406,302
Fund Balances (Deficit) End of Year	(\$1,441,911)	\$47,272,723	\$6,539,525	\$52,370,337

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, 2011

Net Change in Fund Balances - Total Governmental Funds \$11,964,035

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	14,833,318	
Current Year Depreciation	(401,046)	14,432,272

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

Gain on disposal of assets	13,572	
Proceeds from Sale of Capital Assets	(21,165)	(7,593)

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

Delinquent Property Taxes	200,930	
Interest	5,588	
Grants	(22,610,241)	(22,403,723)

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

Capital Appreciation Bond Accretion	(6,598)	
Amortization of Bond Premium	32,369	
Amortization of Bond Issuance Costs	(23,111)	2,660

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities: (35,750)

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: 10,041

Change in Net Assets of Governmental Activities \$3,961,942

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$6,207,651	\$7,633,146	\$7,633,146	\$0
Intergovernmental	15,323,911	15,288,120	15,294,823	6,703
Interest	5,000	5,586	8,260	2,674
Tuition and Fees	4,500	143,816	143,857	41
Rentals	0	12,748	12,748	0
Extracurricular Activities	4,750	4,791	4,791	0
Gifts and Donations	0	16,731	16,731	0
Charges for Services	37,800	38,520	38,882	362
Miscellaneous	162,524	138,139	109,453	(28,686)
Total Revenues	21,746,136	23,281,597	23,262,691	(18,906)
Expenditures				
Current:				
Instruction:				
Regular	9,168,086	9,010,963	9,019,794	(8,831)
Special	2,106,059	2,086,633	2,086,633	0
Vocational	2,270,992	2,259,113	2,247,988	11,125
Adult Continuing	0	4,148	0	4,148
Intervention	7,879	8,710	8,710	0
Support Services:				
Pupils	973,470	995,610	995,353	257
Instructional Staff	454,514	447,225	443,293	3,932
Board of Education	41,524	38,111	38,111	0
Administration	2,036,372	2,028,506	2,011,337	17,169
Fiscal	746,422	752,714	752,714	0
Operation and Maintenance of Plant	1,356,779	2,376,707	2,358,019	18,688
Pupil Transportation	1,859,718	2,550,117	2,547,268	2,849
Central	0	27,879	27,879	0
Extracurricular Activities	379,447	421,389	391,312	30,077
Total Expenditures	21,401,262	23,007,825	22,928,411	79,414
Excess of Revenues Over Expenditures	344,874	273,772	334,280	60,508
Other Financing Sources (Uses)				
Transfers In	0	12	0	(12)
Proceeds from Sale of Capital Assets	0	2,026	2,026	0
Insurance Recoveries	0	5,009	5,009	0
Refund of Prior Year Expenditures	0	50,071	51,621	1,550
Transfers Out	(350,000)	(366,507)	(366,495)	12
Refund of Prior Year Receipts	0	(42)	(42)	0
Total Other Financing Sources (Uses)	(350,000)	(309,431)	(307,881)	1,550
Net Change in Fund Balance	(5,126)	(35,659)	26,399	62,058
Fund Balance (Deficit) Beginning of Year	(237,695)	(237,695)	(237,695)	0
Prior Year Encumbrances Appropriated	274,857	274,857	274,857	0
Fund Balance End of Year	\$32,036	\$1,503	\$63,561	\$62,058

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$0	\$54,048
Cash and Cash Equivalents in Segregated Accounts	190,651	0
Total Assets	190,651	\$54,048
Liabilities		
Undistributed Monies	0	\$672
Due to Students	0	53,376
Total Liabilities	0	\$54,048
Net Assets		
Held In Trust for Scholarships	\$190,651	

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, 2011

	Private Purpose Trust
Additions	
Interest	\$1,950
Total Additions	1,950
Change in Net Assets	1,950
Net Assets Beginning of Year	188,701
Net Assets End of Year	\$190,651

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, 2011

Note 1 - Description of the School District and Reporting Entity

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

The School District is the largest in square miles in the state. It is located in Monroe County and portions of portions of Noble and Belmont Counties. The Board of Education controls the School District's thirteen instructional/support facilities staffed by 142 classified employees, 212 certificated full-time teaching personnel/administrative employees who provide services to 2,541 students and other community members.

On July 1, 2010, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education based on the School District's 5 year forecast. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education designed to avoid a potential deficit in future fiscal years. The School District has submitted a plan to the Ohio Department of Education. See Note 20 for further details.

Reporting Entity

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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 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.

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2011, the School District's investments were in federal agency securities. 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 2011 amounted to \$8,259, of which \$4,313 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, 2011, 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, 2011

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:

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated on the statement of net 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, 2011

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, 2011

O. Fund Balance Reserves

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education or a School District official delegated that authority by resolution or by State Statute.

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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 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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

Note 3 - Change in Accounting Principle and Restatement of Prior Year's Fund Balance

A. Changes in Accounting Principle

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications than can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

B. Restatement of Prior Year's Fund Balance

Due to the implementation of GASB Statement No. 54, fund reclassification occurred for funds that had previously been reported as non-major special revenue funds and are now major or are being combined with the General Fund in accordance with the new standards. The effect of the change is as follows:

	General	OSFC Project	Other Governmental Funds
Fund Balance (Deficit), June 30, 2010	(\$2,782,380)	\$38,551,190	\$4,637,492
Restatement, Fund Classification	13,662	0	(13,662)
Adjusted Fund Balance (Deficit), June 30, 2010	(\$2,768,718)	\$38,551,190	\$4,623,830

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2011, the following funds had deficit fund balances:

	Amount
General Fund	\$1,441,911
Special Revenue Funds:	
Athletic and Music	7,698
Ed Jobs	43,156
IDEA Part B	263,172

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:	
Athletic and Music	\$2,388
IDEA Part B	112,994

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

	Amount
Special Revenue Funds:	
Athletic and Music	\$3,523
IDEA Part B	149,271

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

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:

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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	\$1,326,807
Net Adjustment for Revenue Accruals	(767,991)
Fiscal Year 2011 Unreported Cash	(12,686)
Fiscal Year 2010 Unreported Cash	19
Fiscal Year 2011 Prepaid Items	(66,485)
Fiscal Year 2010 Prepaid Items	64,239
Net Adjustment for Expenditure Accruals	(348,593)
Encumbrances	(168,911)
Budget Basis	<u><u>\$26,399</u></u>

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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 \$27,394,568 of the School District's bank balance of \$27,894,568, including the payroll account balance of \$99,718, 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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>	<u>S&P Rating</u>	<u>Percent of Total Investments</u>
Federal Home Loan Mortgage - Agency Notes	\$4,980,228	7/27/2012-5/23/2013	AAA	17.08%
Federal Home Loan Bank Agency Notes	7,695,472	8/25/2011-12/28/2012	AAA	26.42%
Federal National Mortgage Association - Agency Notes	1,435,435	9/15/2011-10/30/2012	AAA	4.93%
US Treasury Bills	1,902,831	5/3/2012	AAA	6.52%
Federal Home Loan Bank Discount Notes	12,984,817	1/19/2012-3/26/2012	AAA	44.55%
First American Government Money Market	<u>147,824</u>	N/A	N/A	0.50%
Total	<u><u>\$29,146,607</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.

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 revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Monroe, Belmont, and Noble Counties. The County Auditors periodically advance to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2011 are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 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.

The amount available as an advance, and recognized as revenue at June 30, 2011, was \$1,074,368 in the General Fund, \$18,484 in the Classroom Facilities Maintenance Special Revenue Fund, \$291,248 in the Bond Retirement Debt Service Fund, and \$76,927 in the Permanent Improvement Capital Projects Funds. 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.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$244,369,180	82.31%	\$253,779,290	68.80%
Public Utility Personal	52,537,180	17.69%	115,100,210	31.20%
Total	<u>\$296,906,360</u>	<u>100.00%</u>	<u>\$368,879,500</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.09		\$46.09	

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

During fiscal year 2011, the assessed valuations for the Public Utility Personal increased as a result of a natural gas distribution pipeline being constructed within the School District.

Note 8 - Receivables

Receivables at June 30, 2011, 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 2011, the School District had received \$33,827,267 of the monies awarded under this program. The remaining amount of \$19,183,405 is recorded as a receivable. \$172,057 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:

	<u>Amounts</u>
Governmental Activities:	
Title I Grants	\$201,039
Title II-A Grant	32,294
Food Service Reimbursements	165,123
Title VI-B	25,456
Ed Jobs Grant	52,004
Ohio School Facilities Grant	19,183,405
Miscellaneous Receivables	<u>18,961</u>
Total	<u><u>\$19,678,282</u></u>

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Nondepreciable Capital Assets				
Land	\$1,333,344	\$0	(\$154)	\$1,333,190
Construction in Progress	4,427,163	14,369,130	0	18,796,293
Total Nondepreciable Assets	<u>5,760,507</u>	<u>14,369,130</u>	<u>(154)</u>	<u>20,129,483</u>
Depreciable Capital Assets				
Buildings and Improvements	13,689,066	2,899	0	13,691,965
Vehicles	3,572,529	428,895	0	4,001,424
Furniture and Equipment	3,997,673	32,394	(22,211)	4,007,856
Total Capital Assets Being Depreciated	<u>21,259,268</u>	<u>464,188</u>	<u>(22,211)</u>	<u>21,701,245</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,897,747)	(185,119)	0	(9,082,866)
Vehicles	(1,636,166)	(154,171)	0	(1,790,337)
Furniture and Equipment	(2,684,266)	(61,756)	14,772	(2,731,250)
Total Accumulated Depreciation	<u>(13,218,179)</u>	<u>(401,046) *</u>	<u>14,772</u>	<u>(13,604,453)</u>
Total Capital Assets Being Depreciated, Net	<u>8,041,089</u>	<u>63,142</u>	<u>(7,439)</u>	<u>8,096,792</u>
Governmental Activities Capital Assets, Net	<u>\$13,801,596</u>	<u>\$14,432,272</u>	<u>(\$7,593)</u>	<u>\$28,226,275</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$86,176
Special	18,512
Vocational	33,489
Support Services:	
Pupils	7,339
Instructional Staff	7,750
Administration	12,355
Fiscal	1,851
Operation and Maintenance of Plant	30,740
Pupil Transportation	181,533
Central	1,851
Operation of Non-Instructional Services	19,450
Total Governmental Depreciation	<u>\$401,046</u>

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 10 - Interfund Balances and Transfers

A. Interfund Balances

The governmental balance sheet reflects interfund receivables and payables in the amount of \$152,794. The General Fund made short-term loans to the Athletic and Music and Title VI-B Nonmajor Special Revenue Funds in the amounts of \$3,523 and \$149,271, respectively. These loans were for actual cash deficits and were covered by cash from the General Fund.

B. Interfund Transfers

During fiscal year 2011, the School District recorded transfers in the following funds:

Transfer From	Transfer To		Total All Funds
	Classroom Facilities	Other Nonmajor Governmental	
General Fund	\$0	\$366,495	\$366,495
Other Nonmajor Governmental	412,901	0	412,901
Total All Funds	<u>\$412,901</u>	<u>\$366,495</u>	<u>\$779,396</u>

The transfers from the General Fund to the Other Nonmajor Special Revenue Funds were to help subsidize these programs due to insufficient grant subsidies. In addition, the transfer from the Local Funded Initiatives Nonmajor Capital Projects Fund to the Classroom Facilities Capital Projects Fund was to reallocate prior year debt proceeds to be used for the local share of the OSFC Classroom Project.

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 2011 the School District purchased the following coverage:

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Ohio Casualty

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	\$1,000 deductible
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

Westfield Insurance Company

Commercial Crime Coverage	\$10,000	No deductible
---------------------------	----------	---------------

Allstate

Flood Insurance	\$41,300-\$390,500	\$1,000-\$2,000 deductible
-----------------	--------------------	----------------------------

Ohio Farmers Insurance Company

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 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience as a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited 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 2011, 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 2011, the School District paid ninety percent of the premium and the employees paid ten percent.

C. Retirement Incentive Payable

The School District's negotiated agreement with the Switzerland of Ohio Education Association provides for payment of one-half of total accumulated sick leave to any certificated staff who is covered under their contract and retires in the first year that they become eligible to receive benefits from the State Teachers Retirement System. Any certificated staff covered under this contract who retires at any other time is eligible to receive one-fourth of their accumulated sick leave. At June 30, 2011, there was a liability of \$85,018 for this benefit.

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$325,072, \$494,591, and \$276,938, respectively. For fiscal year 2011, 40.81 percent has been contributed, with the remaining being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

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.

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 DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, 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.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended 2011, 2010, and 2009 were \$1,311,502, \$1,382,786, and \$1,335,687, respectively. For fiscal year 2011, 84.11 has been contributed for fiscal year 2011 with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$29,798 made by the School District and \$21,284 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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011 there was one employee who elected Social Security.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit other postemployment 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 2011, 1.43 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 2011,

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

this amount was \$35,800.

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, 2011, 2010, and 2009, were \$108,901, \$13,357, and \$170,737, respectively; 34.60 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, 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, 2011, 2010, and 2009, were \$22,160, \$25,765, and \$24,337, respectively; 44.12 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 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 2011, 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, 2011, 2010, and 2009, were \$103,177, \$106,368, and \$102,745, respectively; 82.24 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 15 - Long-Term Obligation

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Outstanding 06/30/10	Additions	Reductions	Outstanding 06/30/11	Amounts Due Within One Year
Governmental Activities					
School Improvement Bonds:					
2009 1.65% Qualified School Construction Bonds - \$10,000,000	\$10,000,000	\$0	\$0	\$10,000,000	\$250,000
2009 2.00%-3.30% Tax-Exempt Serial Bonds - \$30,000	30,000	0	0	30,000	5,000
2009 4.00% Tax-Exempt Term Bonds - \$405,000	405,000	0	0	405,000	0
2009 6.30%-6.80% Build America Serial Bonds - \$22,725,000	22,725,000	0	0	22,725,000	0
2009 5.75%-6.05% Build America Term Bonds - \$1,775,000	1,775,000	0	0	1,775,000	0
2009 4.25%-4.65% Tax Exempt Capital Appreciation Bonds - \$64,999	64,999	0	0	64,999	0
Capital Appreciation Bonds Accretion - \$300,001 - 18.3726%	6,640	6,598	0	13,238	0
Bond Premium	694,411	0	(32,369)	662,042	0
Total School Improvement Bonds	35,701,050	6,598	(32,369)	35,675,279	255,000
Compensated Absences	1,338,400	281,832	(291,873)	1,328,359	227,640
Total Long-Term Obligations	\$37,039,450	\$288,430	(\$324,242)	\$37,003,638	\$482,640

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

School Improvement Bonds

During fiscal year 2010, the School District issued \$10,000,000 in Qualified School Construction Bonds (QSCBs) in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds were issued for the purpose of paying a portion of the local share of school construction under the State of Ohio Classroom Facilities Assistance Program, together with other improvements to school facilities, equipment, furnishings, building demolition, other site improvements, and all necessary appurtenances thereto. The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009. The issuance included issuance costs of \$113,409 which will be amortized over the life of the bonds. Issuance costs were amortized at June 30, 2011 in the amount of \$7,561. 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
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	750,000	165,000	915,000
2017-2021	3,840,000	825,000	4,665,000
2022-2025	3,060,000	577,500	3,637,500
Totals	\$10,000,000	\$2,227,500	\$12,227,500

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

The bonds will be repaid from the Bond Retirement Debt Service Fund from a levy approved by the voters of the School District at an election held on May 5, 2009. The issuance included a premium of \$710,593 and issuance costs of \$408,139 which will be amortized over the life of the bonds. Issuance costs were amortized at June 30, 2011 in the amount of \$15,550.

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 2011 accretion was \$6,598 resulting in a total bond liability of \$78,237.

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

Mandatory Redemption

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

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

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

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:

Year (December 1)	Principal Amount to be Redeemed
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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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:

Year (December 1)	Principal Amount to be Redeemed
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.

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.

Optional Redemption

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Extraordinary Redemption

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.

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
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	5,000	1,609,247	(563,237)	1,051,010
2017-2021	5,000	8,046,237	(2,816,183)	5,235,054
2022-2026	945,000	7,946,786	(2,781,375)	6,110,411
2027-2031	7,040,000	6,387,546	(2,235,640)	11,191,906
2032-2036	9,585,000	3,506,495	(1,227,273)	11,864,222
2037-2038	7,335,000	345,780	(121,023)	7,559,757
Totals	<u>\$24,935,000</u>	<u>\$34,279,079</u>	<u>(\$11,997,679)</u>	<u>\$47,216,400</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>

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, IDEA Part B, 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 Information Technology Center Regional Council of Governments (Council)** was created as a separate regional council of governments pursuant to State Statutes. The Council operates under the direction of a Board comprised of a representative from each participating school district. The Board possesses its own budgeting authority. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. During fiscal year 2011, the School District paid \$73,480 to the Council.

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 2011, the School District paid \$325 to the Coalition.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 2011, the School District paid \$1,281 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 participants pay an enrollment fee to the GRP to cover the costs of administering the program. The School District enrollment fee for fiscal year 2011 was \$2,630.

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, 2011.

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Pursuant to State statute, the Board of Education expended all of the amounts previously set-aside from the budget reserve.

Effective June 30, 2005, through Amended Substitute House Bill 66, the School Districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the School Districts apply and receive approval from the Ohio Department of Education. Switzerland of Ohio Local School District remained in Fiscal Caution during fiscal year 2011 but did not request a waiver of the set-aside requirement for fiscal year 2011.

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	(\$3,566,203)	\$0
Current year set-aside requirement	581,609	581,609
Current year qualifying expenditures	(396,847)	(78,186)
Current year offsets	(797,834)	(503,423)
Total	(\$4,179,275)	\$0
Set-aside balance carried forward to future fiscal years	\$0	\$0
Set-aside reserve balance as of June 30, 2011	\$0	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amount to or below zero. Any excess qualified expenditures for capital improvements and excess annual offsets do not carry forward. Effective July 1, 2011, House Bill 30, "The Unfunded Mandates Relief Act", eliminates the requirement that school districts annually set-aside an amount per pupil into a textbook and instructional materials fund.

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 \$31,460,790.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 19 - Contractual Commitments

As of June 30, 2011, the School District had contractual purchase commitments relating to the Classroom Facilities Project:

Contractor	Purchase Commitments	Amounts Paid as of 06/30/2011	Amounts Remaining on Contracts
Balog Steins Hendricks & Manchester Architects	\$2,255,275	\$950,721	\$1,304,554
Raze International, Incorporated	299,000	174,554	124,446
Mach Industries	249,500	0	249,500
Kalkreuth Roofing, Incorporated	1,109,178	230,257	878,921
Climatech, Incorporated	6,032,418	1,014,479	5,017,939
Jackson and Sons	479,900	471,650	8,250
S A Comunale Company	342,200	319,230	22,970
Davis Pickering Company	1,491,996	758,752	733,244
Grae-Con Construction, Incorporated	17,308,026	6,446,104	10,861,922
LOGOS	120,268	0	120,268
KAL Electric, Incorporated	2,526,396	289,442	2,236,954
Breckenridge Kitchen	407,425	169,397	238,028
Brewer & Company of West Virginia, Incorporated	243,300	0	243,300
GTS Piping, LLC	511,597	502,517	9,080
Accent Electronics	1,129,000	0	1,129,000
	<u>\$34,505,479</u>	<u>\$11,327,103</u>	<u>\$23,178,376</u>

Note 20 - Financial Position

Based on the most recent Board-adopted five year forecast, the School District is projecting a deficit cash balance and a deficit unreserved fund balance in fiscal years 2013 through 2016 of the projection. The Board has presented a plan to address this deficit to the Ohio Department of Education. The School District continues to be in a state of "Fiscal Caution".

Note 21 - Subsequent Event

On the November 8, 2011 election, the School District placed a 2.5 mill permanent improvement renewal levy on the ballot. This levy failed.

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ Pass-Through Grantor/ Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 75,931	\$ 75,931
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	375,644	375,644
National School Lunch Program	2010/2011	10.555	859,994	859,994
Cash Assistance Subtotal			<u>1,235,638</u>	<u>1,235,638</u>
Total Child Nutrition Cluster			<u>1,311,569</u>	<u>1,311,569</u>
Child Nutrition Discretionary Grants/Cafeteria Equipment Assistance	2011	10.579	4,975	4,975
Total U.S. Department of Agriculture			<u>1,316,544</u>	<u>1,316,544</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2011	84.010	726,831	639,711
	2010		130,687	130,163
Title I Grants to Local Educational Agencies Subtotal			<u>857,518</u>	<u>769,874</u>
School Improvement Sub A, Title I	2011	84.010	22,192	
	2010			14,066
School Improvement Sub A, Title I Subtotal			<u>22,192</u>	<u>14,066</u>
ARRA - Title I, Grants to Local Educational Agencies, Recovery Act	2011	84.389	149,614	123,149
	2010			72,395
ARRA - Title I, Grants to Local Educational Agencies, Recovery Act Subtotal			<u>149,614</u>	<u>195,544</u>
ARRA - School Improvement Title I, Recovery Act	2011	84.389	45,196	4,500
Total Title I, Part A Cluster			<u>1,074,520</u>	<u>983,984</u>
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA, Part B)	2011	84.027	574,213	574,213
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	2011	84.391	255,276	255,276
	2010		123,207	36,368
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act Subtotal			<u>378,483</u>	<u>291,644</u>
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants (IDEA Preschool)	2011	84.173	13,541	13,541
Total Special Education Cluster (IDEA)			<u>966,237</u>	<u>879,398</u>
Career and Technical Education Basic Grants to States	2011	84.048	47,956	44,570
	2010			10,025
Total Career and Technical Education Basic Grants to States			<u>47,956</u>	<u>54,595</u>
Safe and Drug Free Schools and Communities, State Grants	2011	84.186	89	89
	2010		502	784
Total Safe and Drug Free Schools and Communities, State Grants			<u>591</u>	<u>873</u>
Improving Teacher Quality State Grants	2011	84.367	212,547	177,627
	2010		42,754	34,320
Total Improving Teacher Quality State Grants			<u>255,301</u>	<u>211,947</u>
Education Technology State Grants	2011	84.318	3,446	3,446
	2010			756
Total Education Technology State Grants			<u>3,446</u>	<u>4,202</u>
Rural Education	2011	84.358	76,238	65,046
	2010		3,683	3,054
Total Rural Education			<u>79,921</u>	<u>68,100</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	2011	84.394	1,076,604	748,545
	2010			66,054
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act			<u>1,076,604</u>	<u>814,599</u>
Education Jobs Fund	2011	84.410	685,253	641,611
Total U.S. Department of Education			<u>4,189,829</u>	<u>3,659,309</u>
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
<i>Passed Through State Library of Ohio:</i>				
Grants to Libraries	2011	45.310	22,604	9,208
Total Institute of Museum and Library Services			<u>22,604</u>	<u>9,208</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program	2011	93.778	77,327	
Total U.S. Department of Health and Human Services			<u>77,327</u>	
Total Federal Awards Receipts and Expenditures			<u>\$ 5,606,304</u>	<u>\$ 4,985,061</u>

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, 2011**

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.

NOTE D – COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS) / MEDICAID

The School District received \$77,327 of CAFS / Medicaid funds during 2011. The funds relate to reimbursement for CAFS / Medicaid services provided during prior periods.



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, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 18, 2012, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on July 1, 2010 based on the 5 year forecast and that the School District has adopted Governmental Accounting Standards Board Statement No. 54. 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 18, 2012.

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

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.



Dave Yost
Auditor of State

January 18, 2012



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, 2011. The Summary of Auditor's results section of the accompanying Schedule of Findings and Questioned Costs 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.

As described in Finding 2011-002 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Special Tests and Provisions applicable to its Special Education Cluster (IDEA) major federal program. Compliance with these requirements is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2011.

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings and Questioned Costs list this instance as Finding 2011-001.

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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-001 to be a significant deficiency.

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

We also 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 18, 2012.

We intend this report solely for the information and use of the audit committee, management, the 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.

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 18, 2012

This page intentionally left blank.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified for all major programs, except for the Special Tests and Provisions requirements applicable to the Special Education Cluster (IDEA) program, which we qualified.
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, Part A Cluster – CFDA #84.010 and #84.389 Special Education Cluster (IDEA) – CFDA #84.027, #84.391, and #84.173 State Fiscal Stabilization Fund – Education State Grants, Recovery Act– CFDA #84.394 Child Nutrition Cluster – CFDA #10.553 and 10.555 Education Jobs Fund – CFDA #84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

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

Noncompliance

See Federal Finding 2011-002 in Section 3 below. *Government Auditing Standards* also requires us to report this finding in this section of this Schedule.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2011-001
CFDA Title and Number	Title I, Part A Cluster, CFDA # 84.010/84.389 Special Education Cluster (IDEA) CFDA #84.027/84.391/84.173
Federal Award Number / Year	2010 / 2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Cost, Noncompliance, and Significant Deficiency – Allowable Costs/ Costs Principles

2 C.F.R. Part 225, Appendix B (8)(g)(2) states severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.

Similarly, question 3-6 of ASMB C-10, an A-87 Implementation Guide for State, Local, and Indian Tribal Governments developed by the U.S. Department of Health and Human Services, clarifies that employee severance payments must be treated as an indirect cost even if the employee worked on the same Federal program during their entire employment.

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

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
--

FINDING NUMBER 2011-001 (Continued)

Questioned Cost, Noncompliance, and Significant Deficiency – Allowable Costs/ Costs Principles – (Continued)

We noted the following:

- The School District charged 100% of one Title I teacher and 44% of another Title I teachers' severance pay in the total amount of \$36,101 to the Title I, Part A Cluster (2010 program).
- The School District charged 100% of the Special Education Coordinator's severance pay in the amount of \$15,924 to the Special Education Cluster (IDEA) (2011 program).
- The School District charged 25% of the Director of Support Services / Title I Supervisor's salary and fringe benefits out of the Title I, Part A Cluster, and 75% out of the General Fund without detailed time and effort records. Therefore, adequate documentation did not exist to support the time and effort to the Title I program. The portion of his salary charged to the Title I, Part A Cluster was \$24,788 (2011 and 2010 program).

As a result of the matters noted above, we have identified a total of \$60,889 of known questioned costs for the severance payments of two Title I teachers and a portion of the Director of Support Services salary allocations to the Title I, Part A Cluster. We also identified a total of \$15,924 of known questioned costs for the severance payments of the Special Education Coordinator allocated to the Special Education Cluster (IDEA).

We recommend the School District charge severance payments to the General Fund unless an indirect cost allocation plan is developed, at which time severance payments may be allocated to all funds of the School District. In addition, we recommend the School District develop internal control procedures to require the School District employees to document the time and effort charged to the Federal programs in accordance with the OMB Circular A-87 requirements described above. These procedures should describe time and effort requirements for the School District employees who work on both a federal award and a non-federal award. Time and effort documentation should meet the following standards:

- Be retained not submitted (for entities without an assigned cognizant for cost)
- Be prepared after-the-fact, including timely adjustments and completion
- Include full disclosure (accountable for entire time – various federal programs or federal and nonfederal)
- Include credible endorsement or signature
- Be reliable and reasonable

Such policies and procedures should include adequate monitoring of grant related activity by appropriate personnel and supervisor knowledgeable of applicable grants management compliance requirements.

Officials' Response and Corrective Action Plan: The District has paid severance pay from federal programs in the past. To correct this action, an Indirect Cost Rate has been issued to the District by the Ohio Department of Education for FY2012, and it is the plan to continue this process in the coming fiscal years.

Responsible contact person – Janet Hissrich, Treasurer; Anticipated completion date – June 30, 2012.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
--

Finding Number	2011-002
CFDA Title and Number	Special Education Cluster (IDEA) CFDA #84.027/84.391/84.173
Federal Award Number / Year	2010 / 2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness - Special Tests and Provisions-Multi-Factor Evaluation (MFE)

34 C.F.R. Part 300, Subpart D, Section 300.303(a) states a public agency must ensure that a reevaluation of each child with a disability is conducted in accordance with Section 300.304 through 300.311.

Further, Section 300.303(b)(2) states a reevaluation conducted under paragraph (a) of this section must occur at least once every 3 years, unless the parent and the public agency agree that a reevaluation is unnecessary.

Also, Ohio Admin. Code Section 3301-51-06(D)(1) and (2) provide that a school district of residence must ensure that a reevaluation of each child with a disability is conducted in accordance with paragraphs (E) to (J) of this rule and establish limitations whereby a reevaluation conducted under paragraph (D)(1) of this rule may occur not more than once a year, unless the parent and the school district agree otherwise and must occur at least once every three years, unless the parent and the school district agree that a reevaluation is unnecessary.

For 60% of students tested, the School District did not perform a reevaluation at least once every three years. Further, there was no documentation to support that the parents and School District agreed that reevaluations were unnecessary for the students tested.

Failure to comply with this requirement could cause students not to receive needed special instruction in certain areas and could result in reduced Special Education Cluster (IDEA) funding in future years.

We recommend the School District implement procedures to ensure the reevaluations are conducted timely.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
--

FINDING NUMBER 2011-002 (Continued)

Noncompliance and Material Weakness - Special Tests and Provisions-Multi-Factor Evaluation (MFE) – (Continued)

Officials' Response and Corrective Action Plan: The Switzerland of Ohio Local School District acknowledges that we currently have evaluations that are out of compliance with the three year evaluation rule. One factor that we believe may have contributed to this issue is the mobility of our school psychology staff. Over the past 4 years, we have had to hire a school psychologist three times. Each time has created a lag in our evaluations. We recognize that this factor is not an excuse for the lack in timeliness of evaluations; however it is a fact that must be recognized.

Additionally, we also recognize that our current method for tracking evaluations and IEP due dates is antiquated and needs to be updated. We also acknowledge that our past practice includes full evaluations for all students which has caused our process to be slowed. We were not fully utilizing the information that we had on hand to assist us in making good decisions regarding what assessments students need to help us formulate appropriate plans.

Thus our plan of action is to:

1. Establish and maintain an accurate and regularly updated data base of student ETR and IEP dates that is accessible to our school psychologists and related services providers. This DATA base will be regularly reviewed to help us to identify student evaluation dates in a timely manner.
2. Utilize student parent teacher conferences, IEP, IAT and RTI meetings to make assessment plans and collect DATA associated with assessment so as to include the entire team in all decision making in a timely manner.
3. Staff will engage in professional development in writing evaluations based upon classroom assessments and daily work samples for use in record review ETRs.

Responsible contact person – Kathryn Anderson, Director of Special Education; Anticipated completion date – June 30, 2012.

This page intentionally left blank.



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

January 18, 2012

This page intentionally left blank.



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
JANUARY 31, 2012