



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 the 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 Fund.....	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	18
Notes to the Basic Financial Statements.....	19
Federal Awards Receipts and Expenditures Schedule.....	49
Notes to the Federal Awards Receipts and Expenditures Schedule	50
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	53
Schedule of Findings - OMB Circular A-133 Section .505	55
Schedule of Prior Audit Findings and Questioned Costs - OMB Circular A-133 Section .315(b).....	60
Independent Accountants' Report on Applying Agreed-Upon Procedure	61

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2012, 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, 2012, 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 31, 2010 based on the 5 year forecast. Note 20 to the financial statements indicate 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2013, 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

February 15, 2013

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities increased \$2,262,685.
- General revenues accounted for \$29,116,326 in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,687,795 or 14 percent of total revenues of \$33,804,121.
- Total assets of governmental activities increased by \$2,467,331 and total liabilities increased \$204,646.
- The School District had \$31,541,436 in expenses related to governmental activities; only \$4,687,795 of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily intergovernmental revenues and property taxes) of \$29,116,326 were adequate to provide for these programs.

Using this Annual Financial Report

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

The *Statement of Net 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 2012 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, 2012
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), extracurricular activities, and interest expense.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The analysis of the School District's major funds begins on page 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 2012 compared to fiscal year 2011:

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
Assets			
Current and Other Assets	\$62,583,407	\$88,999,916	(\$26,416,509)
Capital Assets	<u>57,110,115</u>	<u>28,226,275</u>	<u>28,883,840</u>
Total Assets	<u>119,693,522</u>	<u>117,226,191</u>	<u>2,467,331</u>
Liabilities			
Long-Term Liabilities	36,601,684	37,003,638	(401,954)
Other Liabilities	<u>16,808,976</u>	<u>16,202,376</u>	<u>606,600</u>
Total Liabilities	<u>53,410,660</u>	<u>53,206,014</u>	<u>204,646</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	41,769,596	21,941,446	19,828,150
Restricted	26,260,100	44,371,680	(18,111,580)
Unrestricted (Deficit)	<u>(1,746,834)</u>	<u>(2,292,949)</u>	<u>546,115</u>
Total Net Assets	<u><u>\$66,282,862</u></u>	<u><u>\$64,020,177</u></u>	<u><u>\$2,262,685</u></u>

Total assets increased \$2,467,331. Current and other assets decreased in the amount of \$26,416,509. The overall decrease is due to property taxes receivable decreasing by \$1,230,592 due to the non-renewal of the School District's permanent improvement tax levy. The decrease is also due to cash and cash equivalents (including prior year's segregated investments), decreasing in the amount of \$11,325,602 and intergovernmental receivables decreasing in the amount of \$13,815,121. The majority of these two components of the decrease is directly related to the \$28,883,840 overall increase in capital assets, mainly construction in progress. Prior year's unspent debt proceeds are now being capitalized as building construction and improvements. As construction progresses, the School District is spending the amount it has on hand and also the amount granted to them by the State. This grant is part of the continued participation in the Ohio School Facilities Commission (OSFC) building project.

In total, liabilities increased by \$204,646. Accounts, contracts, and retainage payables increased in the amount of \$2,315,952 due to the increased activity associated with the OSFC building project. This increase is offset by a decrease in deferred revenue primarily associated with the OSFC building project grant, as explained above. The decrease in long-term liabilities is associated with the required debt service payments for the local share of the OSFC building project as well as a decrease in the School District's liability for compensated absences.

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 \$2,262,685. The biggest change is in invested in capital assets, net of related debt, and restricted net assets. As mentioned above, unspent debt proceeds and a portion of intergovernmental receivables 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, 2012
Unaudited

Table 2 shows the changes in net assets for fiscal year 2012, and comparisons to fiscal year 2011:

Table 2
Changes in Net Assets

	Governmental Activities		
	2012	2011	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$645,040	\$739,247	(\$94,207)
Operating Grants and Contributions	3,946,732	4,414,562	(467,830)
Capital Grants and Contributions	96,023	236,418	(140,395)
Total Program Revenues	<u>4,687,795</u>	<u>5,390,227</u>	<u>(702,432)</u>
General Revenues			
Property Taxes	12,489,547	12,027,887	461,660
Grants and Entitlements	16,232,768	17,173,694	(940,926)
Gifts and Donations	28,234	0	28,234
Investment Earnings	195,501	237,875	(42,374)
Gain on Sale of Capital Asset	0	13,572	(13,572)
Miscellaneous	170,276	148,329	21,947
Total General Revenues	<u>29,116,326</u>	<u>29,601,357</u>	<u>(485,031)</u>
Total Revenues	<u>33,804,121</u>	<u>34,991,584</u>	<u>(1,187,463)</u>
Program Expenses			
Instruction			
Regular	10,953,347	10,774,199	179,148
Special	3,302,149	3,302,192	(43)
Vocational	2,136,618	2,192,611	(55,993)
Student Intervention	3,047	4,672	(1,625)
Support Services			
Pupils	989,440	1,235,927	(246,487)
Instructional Staff	930,778	816,362	114,416
Board of Education	50,934	37,366	13,568
Administration	2,005,352	2,112,219	(106,867)
Fiscal	923,675	885,034	38,641
Operation and Maintenance of Plant	3,119,632	2,533,723	585,909
Pupil Transportation	2,989,420	2,829,121	160,299
Central	111,781	286,043	(174,262)
Operation of Non-Instructional Services	1,651,192	1,539,209	111,983
Extracurricular Activities	585,013	656,666	(71,653)
Interest	1,789,058	1,824,298	(35,240)
Total Expenses	<u>31,541,436</u>	<u>31,029,642</u>	<u>511,794</u>
Change in Net Assets	2,262,685	3,961,942	(1,699,257)
Net Assets Beginning of Year	<u>64,020,177</u>	<u>60,058,235</u>	<u>3,961,942</u>
Net Assets End of Year	<u><u>\$66,282,862</u></u>	<u><u>\$64,020,177</u></u>	<u><u>\$2,262,685</u></u>

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Overall, revenues decreased in the amount of \$1,187,463 with the largest changes being reflected in unrestricted grants and entitlements, operating and capital grants, contributions, and interest.

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 37 percent of governmental activities revenues for Switzerland of Ohio Local School District in fiscal year 2012. The remaining 63 percent of revenues are received through outside sources, such as restricted and unrestricted grants in aid. The increase in property taxes revenue in the amount of \$461,660 is due to an increase in assessed valuations. See Note 7 for more information on assessed valuations.

Unrestricted grants and entitlements were the largest general revenue source accounting for \$16,232,768 or 48 percent of total revenues. This amount decreased from the prior year in the amount of \$940,926. This amount largely represents unrestricted foundation revenue from the State. Enrollment is a factor in the finances of the School District and enrollment has been declining over the past several years. A large portion of the decline in enrollment is due to open enrollment. The School District experienced a net loss in the amount of \$556,646 due to open enrollment during fiscal year 2012, which results in local tax dollars going to other school districts.

Operating grants and contributions decreased in the amount of \$467,830 due to the elimination and phase-out of stimulus money from the federal government.

The School District's direct charges to users of governmental activities totaled \$645,040 or two percent of total governmental revenues. These charges are from fees for open enrollment, rent, food service operations, and school supply sales.

Overall, the School District's expenses increased in the amount of \$511,794. The largest change in expense is in the operation and maintenance of plant, an increase in the amount of \$585,909. This increase is due to severance payments as a result of the retirements of classified staff in this program. The decreases in support services pupils, administration, and central expenses are the result of prior years' attrition.

As can be seen from Table 2, the change in net assets reflects an increase in the amount of \$2,262,685 which is a combination of the changes in assets, liabilities, revenues, and expenses as discussed earlier.

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

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012	2012	2011	2011
Program Expenses				
Instruction				
Regular	\$10,953,347	\$10,436,303	\$10,774,199	\$10,308,025
Special	3,302,149	2,296,227	3,302,192	2,176,701
Vocational	2,136,618	1,704,184	2,192,611	1,600,348
Intervention	3,047	1,228	4,672	3,956
Support Services				
Pupils	989,440	925,684	1,235,927	1,096,717
Instructional Staff	930,778	519,348	816,362	462,233
Board of Education	50,934	50,934	37,366	37,366
Administration	2,005,352	1,856,184	2,112,219	1,960,934
Fiscal	923,675	918,523	885,034	812,491
Operation and Maintenance of Plant	3,119,632	3,017,453	2,533,723	2,479,423
Pupil Transportation	2,989,420	2,888,511	2,829,121	2,398,853
Central	111,781	106,582	286,043	223,774
Operation of Non-Instructional Services	1,651,192	(16,588)	1,539,209	(144,097)
Extracurricular Activities	585,013	360,010	656,666	398,393
Interest	1,789,058	1,789,058	1,824,298	1,824,298
Total	\$31,541,436	\$26,853,641	\$31,029,642	\$25,639,415

The dependence upon tax revenues and unrestricted government subsidies for governmental activities is apparent. Approximately 88 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 \$47,323,923 and expenditures in the amount of \$60,804,127. 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, a decrease in the amount of \$14,937,216 which is a direct result of the receipt of current year and prior years grant monies from the State and increases in 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 \$188,850 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, 2012
Unaudited

For the General Fund, budget basis revenues were \$8,163 above final estimates of \$24,653,358. 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 \$201,396 and was \$188,850 higher than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$57,110,115 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, 2012, the School District had \$35,395,076 outstanding in various school improvement bonds, including premiums. 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 2012 with a positive short-term cash flow which reflects the challenge the administration of the School District has in trying to maintain fiscal accountability. There are some uncontrollable variables that will affect future revenues, which includes the elimination of the three year averaging for Average Daily Membership (ADM), State 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 Lance Erlwein, Treasurer at Switzerland of Ohio Local School District, 304 Mill Street, Woodsfield, Ohio, 43793, or e-mail at lance.erlwein@omeresanet.net.

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Switzerland of Ohio Local School District
Statement of Net Assets
June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,455,359
Cash and Cash Equivalents in Segregated Accounts	38,791,989
Cash and Cash Equivalents with Escrow Agents	643,120
Prepaid Items	80,893
Accounts Receivable	28,051
Intergovernmental Receivable	5,863,161
Inventory Held for Resale	15,672
Materials and Supplies Inventory	1,696
Property Taxes Receivable	11,239,690
Deferred Charges	463,776
Nondepreciable Capital Assets	49,140,344
Depreciable Capital Assets, Net	7,969,771
Total Assets	119,693,522
Liabilities	
Matured Compensated Absences Payable	75,537
Accounts Payable	177,042
Contracts Payable	3,595,898
Retainage Payable	958,494
Accrued Wages and Benefits Payable	2,322,361
Retirement Incentive Payable	21,844
Intergovernmental Payable	646,476
Accrued Interest Payable	180,034
Deferred Revenue	8,831,290
Long-Term Liabilities:	
Due Within One Year	908,644
Due In More Than One Year	35,693,040
Total Liabilities	53,410,660
Net Assets	
Invested in Capital Assets, Net of Related Debt	41,769,596
Restricted for:	
Debt Service	3,092,331
Capital Projects	22,170,044
Classroom Facilities Maintenance	541,472
Food Service Operations	238,656
Other Purposes	212,084
Unclaimed Monies	5,513
Unrestricted (Deficit)	(1,746,834)
Total Net Assets	\$66,282,862

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expense)/Revenue and Change in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$10,953,347	\$180,770	\$298,818	\$37,456	(\$10,436,303)
Special	3,302,149	0	1,005,922	0	(2,296,227)
Vocational	2,136,618	0	430,705	1,729	(1,704,184)
Student Intervention	3,047	0	1,819	0	(1,228)
Support Services:					
Pupils	989,440	0	63,756	0	(925,684)
Instructional Staff	930,778	0	410,588	842	(519,348)
Board of Education	50,934	0	0	0	(50,934)
Administration	2,005,352	0	147,668	1,500	(1,856,184)
Fiscal	923,675	0	2,225	2,927	(918,523)
Operation and Maintenance of Plant	3,119,632	12,131	79,618	10,430	(3,017,453)
Pupil Transportation	2,989,420	0	64,969	35,940	(2,888,511)
Central	111,781	0	0	5,199	(106,582)
Operation of Non-Instructional Services:					
Food Service Operations	1,579,944	253,738	1,347,363	0	21,157
Other Non-Instructional Services	71,248	0	66,679	0	(4,569)
Extracurricular Activities	585,013	198,401	26,602	0	(360,010)
Interest	1,789,058	0	0	0	(1,789,058)
Total Governmental Activities	\$31,541,436	\$645,040	\$3,946,732	\$96,023	(26,853,641)

General Revenues

Property Taxes Levied for:

General Purposes	9,296,552
Debt Service	2,845,145
Capital Outlay	168,993
Building Maintenance	178,857

Grants and Entitlements not Restricted

to Specific Programs 16,232,768

Gifts and Donations not Restricted to Specific Programs 28,234

Investment Earnings 195,501

Miscellaneous 170,276

Total General Revenues 29,116,326

Change in Net Assets 2,262,685

Net Assets Beginning of Year 64,020,177

Net Assets End of Year \$66,282,862

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	OSFC Project	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$417,889	\$0	\$5,031,957	\$5,449,846
Cash and Cash Equivalents in Segregated Accounts	0	36,078,529	2,713,460	38,791,989
Cash and Cash Equivalents with Escrow Agents	0	643,120	0	643,120
Materials and Supplies Inventory	0	0	1,696	1,696
Inventory Held for Resale	0	0	15,672	15,672
Accounts Receivable	6,430	0	21,621	28,051
Interfund Receivable	10,664	0	0	10,664
Intergovernmental Receivable	37,859	5,411,578	413,724	5,863,161
Prepaid Items	77,159	3,734	0	80,893
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	5,513	0	0	5,513
Property Taxes Receivable	8,627,340	0	2,612,350	11,239,690
Total Assets	\$9,182,854	\$42,136,961	\$10,810,480	\$62,130,295
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$128,148	\$4,148	\$44,746	\$177,042
Contracts Payable	0	3,595,898	0	3,595,898
Retainage Payable	0	958,494	0	958,494
Accrued Wages and Benefits Payable	2,075,289	0	247,072	2,322,361
Interfund Payable	0	0	10,664	10,664
Intergovernmental Payable	604,914	0	41,562	646,476
Matured Compensated Absences Payable	75,537	0	0	75,537
Retirement Incentive Payable	21,844	0	0	21,844
Deferred Revenue	7,766,895	5,242,914	2,422,037	15,431,846
Total Liabilities	10,672,627	9,801,454	2,766,081	23,240,162
Fund Balances				
Nonspendable:				
Inventories	0	0	17,368	17,368
Prepaid Items	77,159	3,734	0	80,893
Unclaimed Monies	5,513	0	0	5,513
Restricted for:				
Food Service Operations	0	0	230,771	230,771
Capital Improvements	0	32,331,773	3,532,327	35,864,100
Debt Service	0	0	3,650,601	3,650,601
Classroom Facilities Maintenance	0	0	526,249	526,249
State Grant Expenditures	0	0	11,926	11,926
Federal Grant Expenditures	0	0	51,171	51,171
Other Purposes	0	0	27,958	27,958
Committed to Scholarships	0	0	42,632	42,632
Assigned to Other Purposes	34,756	0	0	34,756
Unassigned (Deficit)	(1,607,201)	0	(46,604)	(1,653,805)
Total Fund Balances (Deficit)	(1,489,773)	32,335,507	8,044,399	38,890,133
Total Liabilities and Fund Balances	\$9,182,854	\$42,136,961	\$10,810,480	
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.				57,110,115
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:				
Property Taxes			1,143,376	
Accounts Receivable			6,321	
Grants			5,450,859	6,600,556
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds				463,776
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			(9,750,000)	
School Improvement Serial and Term Bonds			(24,930,000)	
Capital Appreciation Bonds			(64,999)	
Capital Appreciation Bonds Accretion			(20,404)	
Bond Premium			(629,673)	
Compensated Absences Payable			(1,206,608)	
Accrued Interest Payable			(180,034)	(36,781,718)
Net Assets of Governmental Activities				\$66,282,862

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, 2012

	General	OSFC Project	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$9,107,057	\$0	\$3,072,826	\$12,179,883
Intergovernmental	15,195,452	14,471,482	4,371,996	34,038,930
Interest	14,171	177,658	23,831	215,660
Tuition and Fees	136,061	0	0	136,061
Extracurricular Activities	4,096	0	194,305	198,401
Rentals	11,697	0	0	11,697
Charges for Services	44,709	0	247,923	292,632
Gifts and Donations	460	0	79,995	80,455
Miscellaneous	127,084	0	43,120	170,204
Total Revenues	<u>24,640,787</u>	<u>14,649,140</u>	<u>8,033,996</u>	<u>47,323,923</u>
Expenditures				
Current:				
Instruction:				
Regular	10,305,253	0	652,274	10,957,527
Special	2,344,748	0	970,575	3,315,323
Vocational	2,150,244	0	9,897	2,160,141
Student Intervention Services	0	0	3,047	3,047
Support Services:				
Pupils	931,908	0	63,129	995,037
Instructional Staff	505,419	0	421,735	927,154
Board of Education	50,934	0	0	50,934
Administration	1,862,503	0	130,478	1,992,981
Fiscal	769,932	0	147,432	917,364
Operation and Maintenance of Plant	2,347,957	0	73,371	2,421,328
Pupil Transportation	2,823,011	0	134,284	2,957,295
Central	81,327	0	28,478	109,805
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,576,274	1,576,274
Other Non-Instructional Services	0	0	67,759	67,759
Extracurricular Activities	351,161	0	233,852	585,013
Capital Outlay	0	29,678,268	42,719	29,720,987
Debt Service:				
Principal Retirement	0	0	255,000	255,000
Interest and Fiscal Charges	0	0	1,791,158	1,791,158
Total Expenditures	<u>24,524,397</u>	<u>29,678,268</u>	<u>6,601,462</u>	<u>60,804,127</u>
Excess of Revenues Over (Under) Expenditures	<u>116,390</u>	<u>(15,029,128)</u>	<u>1,432,534</u>	<u>(13,480,204)</u>
Other Financing Source (Use)				
Transfers In	0	91,912	164,252	256,164
Transfers Out	(164,252)	0	(91,912)	(256,164)
Total Other Financing Source (Use)	<u>(164,252)</u>	<u>91,912</u>	<u>72,340</u>	<u>0</u>
Net Change in Fund Balances	(47,862)	(14,937,216)	1,504,874	(13,480,204)
Fund Balances (Deficit) Beginning of Year	(1,441,911)	47,272,723	6,539,525	52,370,337
Fund Balances (Deficit) End of Year	<u>(\$1,489,773)</u>	<u>\$32,335,507</u>	<u>\$8,044,399</u>	<u>\$38,890,133</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
 Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds (\$13,480,204)

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	29,289,660	
Current Year Depreciation	(404,076)	28,885,584

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 loss on disposal of assets.

(1,744)

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

Delinquent Property Taxes	309,664	
Interest	(20,159)	
Grants	(13,815,628)	
Rentals	434	
Charges for Services	5,815	
Miscellaneous Revenue	72	(13,519,802)

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:

Principal Retirement	255,000	
Capital Appreciation Bond Accretion	(7,166)	
Amortization of Bond Premium	32,369	
Amortization of Bond Issuance Costs	(23,111)	257,092

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

8

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.

121,751

Change in Net Assets of Governmental Activities

\$2,262,685

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$8,832,922	\$9,282,615	\$9,282,615	\$0
Intergovernmental	15,229,673	15,021,144	15,024,699	3,555
Interest	0	13,128	14,180	1,052
Tuition and Fees	0	135,753	135,753	0
Rentals	0	8,660	11,813	3,153
Extracurricular Activities	0	4,096	4,096	0
Gifts and Donations	0	0	460	460
Charges for Services	42,850	45,020	45,020	0
Miscellaneous	493,580	142,942	142,885	(57)
Total Revenues	24,599,025	24,653,358	24,661,521	8,163
Expenditures				
Current:				
Instruction:				
Regular	10,788,066	10,021,517	10,014,945	6,572
Special	2,449,150	2,364,937	2,364,907	30
Vocational	2,077,763	2,244,183	2,203,154	41,029
Support Services:				
Pupils	1,153,279	997,659	997,732	(73)
Instructional Staff	524,624	513,572	513,381	191
Board of Education	30,024	49,829	49,829	0
Administration	2,072,911	1,889,039	1,886,749	2,290
Fiscal	816,403	792,799	792,798	1
Operation and Maintenance of Plant	1,410,309	2,383,424	2,383,332	92
Pupil Transportation	2,949,695	2,825,159	2,809,770	15,389
Central	153,021	138,690	138,690	0
Extracurricular Activities	185,239	408,505	373,058	35,447
Total Expenditures	24,610,484	24,629,313	24,528,345	100,968
Excess of Revenues Over (Under) Expenditures	(11,459)	24,045	133,176	109,131
Other Financing Source (Use)				
Refund of Prior Year Expenditures	0	12,669	0	(12,669)
Transfers Out	(161,992)	(256,640)	(164,252)	92,388
Total Other Financing Source (Use)	(161,992)	(243,971)	(164,252)	79,719
Net Change in Fund Balance	(173,451)	(219,926)	(31,076)	188,850
Fund Balance Beginning of Year	63,561	63,561	63,561	0
Prior Year Encumbrances Appropriated	168,911	168,911	168,911	0
Fund Balance End of Year	\$59,021	\$12,546	\$201,396	\$188,850

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$0	\$67,992
Cash and Cash Equivalents in Segregated Accounts	191,723	0
Total Assets	191,723	\$67,992
Liabilities		
Undistributed Monies	0	\$1,112
Due to Students	0	66,880
Total Liabilities	0	\$67,992
Net Assets		
Held In Trust for Scholarships	\$191,723	

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, 2012

	Private Purpose Trust
Additions	
Interest	\$1,072
Total Additions	1,072
Change in Net Assets	1,072
Net Assets Beginning of Year	190,651
Net Assets End of Year	\$191,723

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, 2012

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 138 classified employees, 205 certificated full-time teaching personnel/administrative employees who provide services to 2,475 students and other community members.

On July 31, 2010, the School District was declared to be in a state of "Fiscal Caution" by the Ohio Department of Education based on the School District's 5 year forecast. The School District was subsequently required to submit a fiscal caution proposal to the Ohio Department of Education designed to avoid a potential deficit in future fiscal years. The School District has submitted a plan to the Ohio Department of Education. See Note 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 Switzerland of Ohio Local School District, this includes general operations, food service, and student related activities of the School District.

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

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

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

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

C. Measurement Focus

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

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

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012, the School District's investments were in federal agency securities. However, at fiscal year-end, all investments had matured.

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 2012 amounted to \$14,171, of which the entire amount is assigned from other School District funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

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

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

H. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 twenty years of current service with the School District.

K. Accrued Liabilities and Long-term Obligations

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

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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).

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53". GASB Statement No. 64 was issued to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this statement did not result in any change to the School District's financial statements.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2012, the following funds had deficit fund balances:

	Amount
General Fund	\$1,489,773
Special Revenue Funds:	
Athletic and Music	14,059
Ed Jobs	3,885
IDEA Part B	28,660

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
Athletic and Music Special Revenue Fund	\$18,392
Bond Retirement Debt Service Fund	813,054

The Athletic and Music Special Revenue Fund had a deficit cash balance contrary to Section 5705.10, Revised Code in the amount of \$10,664.

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 Balances - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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	(\$47,862)
Net Adjustment for Revenue Accruals	8,057
Fiscal Year 2012 Unreported Cash	(9)
Fiscal Year 2011 Unreported Cash	12,686
Fiscal Year 2012 Prepaid Items	(77,159)
Fiscal Year 2011 Prepaid Items	66,485
Net Adjustment for Expenditure Accruals	239,387
Encumbrances	<u>(232,661)</u>
Budget Basis	<u><u>(\$31,076)</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.

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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

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

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 \$46,386,261 of the School District's bank balance of \$46,886,261, including the payroll account balance of \$305,481, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Monroe, Belmont, and Noble Counties. The County Auditors periodically advance to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2012 are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which were measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance, and recognized as revenue at June 30, 2012, was \$898,810 in the General Fund, \$21,360 in the Classroom Facilities Maintenance Special Revenue Fund and \$344,854 in the Bond Retirement Debt Service Fund. At June 30, 2011, \$1,074,368 was available as an advance in the General Fund, \$18,484 was available in the Classroom Facilities Maintenance Special Revenue Fund, \$291,248 was available in the Bond Retirement Debt Service Fund and \$76,927 was available in the Permanent Improvement Capital Projects Fund.

On an 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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$253,779,290	68.80%	\$257,197,910	67.64%
Public Utility Personal	115,100,210	31.20%	122,462,550	32.36%
Total	\$368,879,500	100.00%	\$379,660,460	100.00%
Tax rate per \$1,000 of assessed valuation	\$46.09		\$43.59	

During fiscal year 2012, the assessed valuations for the Public Utility Personal increased as a result of a court case decision concerning the valuation of a natural gas distribution pipeline and compressor station being constructed within the School District.

The tax rate decreased during fiscal year 2012 as a result of the School District's permanent improvement levy not being renewed.

Note 8 - Receivables

Receivables at June 30, 2012, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes 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 \$53,713,720 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". During fiscal year 2012, an amendment to this grant was approved in the amount of \$703,048. 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 2012, the School District had received \$48,302,142 of the monies awarded under this program. The remaining amount of \$5,411,578 is recorded as a receivable. \$168,664 of this amount was received in the available period and the rest is deferred revenue on the balance sheet.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Title I Grants	\$210,226
Title II-A Grant	68,385
Food Service Reimbursements	115,354
Title VI-B	16,875
Ed Jobs Grant	2,884
Ohio School Facilities Grant	5,411,578
Foundation Adjustments	37,859
Total	\$5,863,161

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Nondepreciable Capital Assets				
Land	\$1,333,190	\$0	\$0	\$1,333,190
Construction in Progress	18,796,293	29,010,861	0	47,807,154
Total Nondepreciable Assets	20,129,483	29,010,861	0	49,140,344
Depreciable Capital Assets				
Buildings and Improvements	13,691,965	46,304	0	13,738,269
Vehicles	4,001,424	165,420	0	4,166,844
Furniture and Equipment	4,007,856	67,075	(19,750)	4,055,181
Total Capital Assets Being Depreciated	21,701,245	278,799	(19,750)	21,960,294
Less Accumulated Depreciation:				
Buildings and Improvements	(9,082,866)	(185,887)	0	(9,268,753)
Vehicles	(1,790,337)	(168,171)	0	(1,958,508)
Furniture and Equipment	(2,731,250)	(50,018)	18,006	(2,763,262)
Total Accumulated Depreciation	(13,604,453)	(404,076) *	18,006	(13,990,523)
Total Capital Assets Being Depreciated, Net	8,096,792	(125,277)	(1,744)	7,969,771
Governmental Activities Capital Assets, Net	\$28,226,275	\$28,885,584	(\$1,744)	\$57,110,115

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$84,621
Special	18,589
Vocational	32,334
Support Services:	
Pupils	6,677
Instructional Staff	7,780
Administration	12,479
Fiscal	1,859
Operation and Maintenance of Plant	31,062
Pupil Transportation	195,535
Central	1,859
Operation of Non-Instructional Services	11,281
Total Governmental Depreciation	\$404,076

Note 10 - Interfund Balances and Transfers

A. Interfund Balances

The governmental balance sheet reflects an interfund receivable and payable in the amount of \$10,664. The General Fund made a short-term loan to the Athletic and Music Special Revenue Fund. This loan was for an actual cash deficit and was covered by cash from the General Fund.

B. Interfund Transfers

During fiscal year 2012, the School District recorded transfers in the following funds:

Transfer From	Transfer To		Total All Funds
	Classroom Facilities	Other Nonmajor Governmental	
General Fund	\$0	\$164,252	\$164,252
Other Nonmajor Governmental	91,912	0	91,912
Total All Funds	\$91,912	\$164,252	\$256,164

The transfers from the General Fund to the Other Nonmajor Special Revenue Funds were to help subsidize these programs due to insufficient operating money and 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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 2012 the School District purchased the following coverage:

<u>Ohio Casualty</u>		
Fleet Insurance:		
Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$1,000,000	any one accident
Physical Damage Comprehensive	actual cash value	\$250 deductible
Physical Damage Collision	actual cash value	\$250 deductible
Commercial Property	\$68,959,980	\$2,500 deductible
Equipment Breakdown	\$25,000 - \$100,000	
Contractors' Equipment Coverage	\$10,813	\$500 deductible
Commercial General Liability	\$1,000,000	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	\$19,682,382	
<u>Westfield Insurance Company</u>		
Commercial Crime Coverage	\$10,000	
<u>Allstate</u>		
Flood Insurance	\$45,900-\$448,400	\$1,000-\$2,000 deductible
<u>Ohio Farmers Insurance Company</u>		
Superintendent Bond	\$20,000	

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

B. Workers' Compensation

For fiscal year 2012, 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 for classified employees and 265 days for certified employees. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through 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 2012, 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 2012, 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, 2012, there was a liability of \$21,844 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, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 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, 2012, 2011, and 2010, were \$375,778, \$325,072, and \$494,591, respectively. For fiscal year 2012, 59.52 percent has been contributed, with the remaining being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

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, 2012

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, 2012, 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 2012, 2011, and 2010 were \$1,312,886, \$1,311,502 and \$1,382,786, respectively. For fiscal year 2012, 82.95 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$28,413 made by the School District and \$20,294 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, 2012 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 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 2012, 0.55 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 fiscal year 2012, this amount was \$35,800.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, 2011, and 2010, were \$50,111, \$108,901, and \$13,357, respectively. The full amount has been contributed for fiscal years 2012, 2011, and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$21,172, \$22,160, and \$25,765, respectively. For fiscal year 2012, 57.58 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

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 2012, 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, 2012, 2011, and 2010, were \$100,991, \$103,177, and \$106,368, respectively; 82.95 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 15 - Long-Term Obligation

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Outstanding			Amounts	
	06/30/11	Additions	Reductions	Outstanding 06/30/12	Due Within One Year
Governmental Activities					
School Improvement Bonds:					
2009 1.65% Qualified School Construction					
Bonds - \$10,000,000	\$10,000,000	\$0	(\$250,000)	\$9,750,000	\$675,000
2009 2.00%-3.30% Tax-Exempt Serial					
Bonds - \$30,000	30,000	0	(5,000)	25,000	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%	13,238	7,166	0	20,404	0
Bond Premium	662,042	0	(32,369)	629,673	0
Total School Improvement Bonds	35,675,279	7,166	(287,369)	35,395,076	680,000
Compensated Absences	1,328,359	237,819	(359,570)	1,206,608	228,644
Total Long-Term Obligations	\$37,003,638	\$244,985	(\$646,939)	\$36,601,684	\$908,644

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, 2012 in the amount of \$7,561.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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
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	775,000	165,000	940,000
2018-2022	3,830,000	825,000	4,655,000
2023-2025	2,295,000	412,500	2,707,500
Totals	<u>\$9,750,000</u>	<u>\$2,062,500</u>	<u>\$11,812,500</u>

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

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

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

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, 2012 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 2012 accretion was \$7,166 resulting in a total bond liability of \$85,403.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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:

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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
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	5,000	1,609,247	(563,237)	1,051,010
2018-2022	0	8,046,237	(2,816,185)	5,230,052
2023-2027	2,180,000	7,798,869	(2,729,604)	7,249,265
2028-2032	9,310,000	5,890,855	(2,061,799)	13,139,056
2033-2037	6,080,000	2,800,085	(980,030)	7,900,055
2038	7,335,000	87,550	(30,643)	7,391,907
Totals	<u>\$24,930,000</u>	<u>\$32,669,831</u>	<u>(\$11,434,446)</u>	<u>\$46,165,385</u>

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

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

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

Compensated Absences

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Title I, 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 (The 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 and exercises total control over budgeting, appropriating, contracting, and the designation of management. The Council provides information technology and internet access to member districts, as well as cooperative purchasing programs. During fiscal year 2012, the School District paid \$102,239 to the Council. The Jefferson County Educational Service Center serves as the fiscal agent. To obtain financial information write to Ohio Mid-Eastern Regional Education Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 Board exercises total control over budgeting, appropriating, contracting, and the designation of management. 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 2012, the School District paid \$325 to the Coalition.

The **Ohio Coalition of Equity and Adequacy of School Funding** is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. 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 2012, the School District paid \$1,289 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 2012 was \$2,630.

Note 17 - Contingencies

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

Effective June 30, 2005, through Amended Substitute House Bill 66, school districts that are declared to be in Fiscal Caution, may either reduce or eliminate the set-aside, provided that the Districts apply and receive approval from the Ohio Department of Education. Switzerland of Ohio Local School District remained in Fiscal Caution during fiscal year 2012 but did not request a waiver of the set-aside requirement for fiscal year 2012.

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

	Capital Improvements
Excess qualified expenditures from prior years	\$0
Current year set-aside requirement	428,684
Current year qualifying expenditures	(65,607)
Current year offsets	(600,774)
Total	(\$237,697)
Set-aside balance carried forward to future fiscal years	\$0
Set-aside reserve balance as of June 30, 2012	\$0

The School District had qualifying expenditures and offsets during the fiscal year that reduced the set-aside amount below zero for capital improvements, which may not be carried forward to future fiscal years. Effective July 1, 2011, House Bill 30, "The Unfunded Mandates Relief Act", eliminated 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 \$28,809,079.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 19 - Contractual Commitments

As of June 30, 2012, the School District had contractual purchase commitments relating to the Classroom Facilities Project:

Contractor	Purchase Commitments	Amounts Paid as of 06/30/2012	Amounts Remaining on Contracts
Balog Steins Hendricks & Manchester Architects	\$5,550,300	\$5,057,136	\$493,164
W. G. Tomko, Incorporated	6,274,000	1,691,139	4,582,861
School Specialty, Incorporated	215,945	75,848	140,097
Tom Seson and Associates	651,997	241,279	410,718
S. A. Comunale Company, Incorporated	267,600	0	267,600
Raze International, Incorporated	336,120	313,585	22,535
N. F. Mansuetto and Sons, Incorporated	621,157	286,007	335,150
Mach Industries	249,500	236,500	13,000
Kalkreuth Roofing, Incorporated	1,419,715	1,042,562	377,153
Climatech, Incorporated	6,051,168	5,852,067	199,101
Communications Consulting, Incorporated	368,975	254,775	114,200
Davison Electric Company, Incorporated	1,274,444	649,425	625,019
Dynamix Engineering	4,490,579	3,834,109	656,470
Grae-Con Construction, Incorporated	31,180,255	19,251,187	11,929,068
KAL Electric, Incorporated	5,333,520	2,195,612	3,137,908
Breckenridge Kitchen	534,123	420,022	114,101
Brewer & Company of West Virginia, Incorporated	341,550	193,849	147,701
Commercial Aoliance Contracts, Incorporated	208,975	5,420	203,555
GTS Piping, LLC	511,597	510,595	1,002
Accent Electronics	1,575,012	972,919	602,093
B. Armstrong Electrical Services, Incorporated	671,112	357,534	313,578
	<u>\$68,127,644</u>	<u>\$43,441,570</u>	<u>\$24,686,074</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 2014 through 2017 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 6, 2012 election, the School District placed a 2.5 mill permanent improvement levy on the ballot. This levy failed.

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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ <i>Pass-Through Grantor/</i>	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	2011/2012	10.555	\$ 77,282	\$ 77,282
Cash Assistance:				
School Breakfast Program	2011/2012	10.553	383,130	383,130
National School Lunch Program	2011/2012	10.555	870,559	870,559
Cash Assistance Subtotal			<u>1,253,689</u>	<u>1,253,689</u>
Total Child Nutrition Cluster			1,330,971	1,330,971
Total U.S. Department of Agriculture			1,330,971	1,330,971
<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	2012	84.010	642,620	628,417
	2011		103,904	100,005
Title I Grants to Local Educational Agencies Subtotal			<u>746,524</u>	<u>728,422</u>
School Improvement Sub A, Title I	2012	84.010	99,177	79,722
	2011		11,150	24,605
School Improvement Sub A, Title I Subtotal			<u>110,327</u>	<u>104,327</u>
ARRA - Title I, Grants to Local Educational Agencies, Recovery Act	2011	84.389	14,146	40,612
ARRA - School Improvement Title I, Recovery Act	2011	84.389	6,992	47,688
Total Title I, Part A Cluster			877,989	921,049
Special Education Cluster (IDEA):				
Special Education, Grants to States (IDEA, Part B)	2012	84.027	570,257	530,937
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants (IDEA Preschool)	2011	84.173	13,819	13,819
Total Special Education Cluster (IDEA)			584,076	544,756
Career and Technical Education Basic Grants to States	2012	84.048	43,674	40,210
	2011		-	3,385
Total Career and Technical Education Basic Grants to States			<u>43,674</u>	<u>43,595</u>
Improving Teacher Quality State Grants	2012	84.367	184,530	167,333
	2011		-	14,133
Total Improving Teacher Quality State Grants			<u>184,530</u>	<u>181,466</u>
Education Technology State Grants	2012	84.318	5,166	4,816
Rural Education	2012	84.358	65,570	52,943
	2011		-	4,358
Total Rural Education			<u>65,570</u>	<u>57,301</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	2011	84.394		328,059
Education Jobs Fund	2012	84.410	16,905	16,782
	2011		52,004	95,646
Total Education Jobs Fund			<u>68,909</u>	<u>112,428</u>
Total U.S. Department of Education			1,829,914	2,193,470
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
<i>Passed Through State Library of Ohio:</i>				
Grants to Libraries	2012	45.310	25,453	38,849
Total Institute of Museum and Library Services			<u>25,453</u>	<u>38,849</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 3,186,338</u>	<u>\$ 3,563,290</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, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 15, 2013, wherein we noted the School District was placed in Fiscal Caution by the Ohio Department of Education on July 31, 2010 based on the 5 year forecast. 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 as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 15, 2013.

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

February 15, 2013



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, 2012. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

As described in Findings 2012-02 and 2012-03 in the accompanying Schedule of Findings, the School District did not comply with requirements regarding Cash Management applicable to its Title I, Part A Cluster and Special Education Cluster (IDEA) major federal programs, and 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 these programs.

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, 2012.

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2012-02 and 2012-03 to be material weaknesses.

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

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



Dave Yost
Auditor of State

February 15, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2012
(Continued)**

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

FINDING NUMBER 2012-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

At June 30, 2012, the Debt Service Fund had expenditures of \$2,170,187 which exceeded appropriations of \$1,357,133 by \$813,054.

We recommend the Treasurer monitor all fund expenditures to ensure expenditures remain within their respective budgeted amounts. The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if available and necessary.

Officials' Response: The Switzerland of Ohio Local School District commits to monitoring its Debt Service Fund more closely so that expenditures never exceed appropriations. We are also in the process of creating an excel spreadsheet that will allow us to more closely monitor all changes to our expenditures and revenues in all funds on a monthly basis. It is our goal to manage our budget and make appropriate amendments to the appropriations so that our expenditures never exceed appropriations.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-02
CFDA Title and Number	Title I, Part A Cluster, CFDA#84.010 and 84.389 Special Education Cluster (IDEA), CFDA#84.027 and 84.173
Federal Award Number / Year	2011/2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education, Ohio Valley Educational Service Center

Noncompliance and Material Weakness - Cash Management

34 C.F.R. 80.21(c) states grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 C.F.R 80.20(b)(7) states in part that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-02 (Continued)
CFDA Title and Number	Title I, Part A Cluster, CFDA#84.010 and 84.389 Special Education Cluster (IDEA), CFDA#84.027 and 84.173
Federal Award Number / Year	2011/2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education, Ohio Valley Educational Service Center

Noncompliance and Material Weakness - Cash Management (Continued)

When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount that apply to advances to the grantees.

Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 C.F.R. 80.21). To receive approval consideration, cash requests must be made *for immediate needs for the month requested*. **Ohio Department of Education Project Cash Request Instructions** state the Ohio Department of Education (ODE) will initiate the first payment of project funds to school districts and agencies upon project approval. Subsequent payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 C.F.R. part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds **MUST** be expended within the period of time for which cash is requested.

For the Special Education Cluster (IDEA), 6 of 8 drawdowns were not spent by the end of the month for which the monies were requested.

For the Title I, Part A, Cluster, 17 of 20 drawdowns were not spent by the end of the month for which the monies were requested.

We recommend the School District Treasurer review the process for requesting federal dollars to ensure the advance funds are used in the month in which they are received.

Officials' Response and Corrective Action Plan: The Switzerland of Ohio Local School District commits to immediately implementing a policy that will allow us to better monitor and manage the funds we receive from federal sources. This new policy involves completing the project cash requests within the first 3 days of the month in order to minimize the time lapsed between receipt and disbursement of funds. We also plan to closely monitor our funding requirements so that we never request more funds than are necessary. It is our goal to manage all federal funds per state and federal guidelines to ensure the advance funds are used in the month in which they are received.

Responsible contact person – Lance Erlwein, Treasurer; Anticipated completion date – June 30, 2013.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-03
CFDA Title and Number	Special Education Cluster (IDEA), CFDA#84.027 and 84.173
Federal Award Number / Year	2011 / 2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education, Ohio Valley Educational Service Center

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 24% of students tested, the School District did not perform a re-evaluation at least once every three years.

Failure to comply with this requirement could cause students not to receive needed special instruction in certain areas.

We recommend the School District implement procedures to ensure the re-evaluations are conducted timely.

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. Since identifying this deficiency in 2011, many new procedures and protocols have been implemented as part of our corrective plan. These include:

1. Creation of an updated date base that will accurately track and monitor all identified students. Areas of focus include ETR due dates, IEP due dates, related service needs, and scheduling of classes.
2. Hiring two psychologists to replace the previously vacated positions.
3. Offering continual professional development in the evaluation process.
4. Updated our evaluation procedures to include the parent-teacher conference, IAT conferences, IEP conferences, and teacher DATA to expedite the reevaluation process.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2012
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2012-03 (Continued)
CFDA Title and Number	Special Education Cluster (IDEA), CFDA#84.027 and 84.173
Federal Award Number / Year	2011 / 2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education, Ohio Valley Educational Service Center

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

Officials' Response and Corrective Action Plan (Continued)

Since the inception of these procedures and protocols, we have seen a significant decrease in the number of evaluations that are out of compliance (currently 10% of our students who are identified have evaluations that are out of compliance). Our goal is to be 100% compliant by the end of the 2012-13 school year.

Responsible contact person – Kathryn Anderson, Director of Special Education; Anticipated completion date – June 30, 2013.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .315(b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Questioned Cost, Noncompliance, and Significant Deficiency – Allowable Costs/ Costs Principles – Title I, Part A Cluster and Special Education Cluster (IDEA) – Severance payments made from federal funds.	Yes	N/A.
2011-002	Noncompliance and Material Weakness - Special Tests and Provisions-Multi-Factor Evaluation (MFE) – Reevaluations not performed at least once every three years.	No	Not Corrected: Reissued as Finding No. 2012-03.



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 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 amended its anti-harassment policy at its meeting on January 19, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 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

February 15, 2013

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Dave Yost • Auditor of State

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 12, 2013