STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Switzerland of Ohio Local School District
Monroe County

Fiscal Emergency Termination

Local Government Services Division

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

FISCAL EMERGENCY TERMINATION

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CERTIFICATION

Pursuant to a request to the Auditor of State by the Switzerland of Ohio Local School District Board of Education, the Auditor of State has determined that the Switzerland of Ohio Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, and the Switzerland of Ohio Local School District has met the requirements of Section 3316.16, Revised Code, for termination of the Switzerland of Ohio Local School District Financial Planning and Supervision Commission. Therefore, the existence of the Switzerland of Ohio Local School District Financial Planning and Supervision Commission and its role in the operation of the Switzerland of Ohio Local School District is terminated March 26, 2002.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to the Switzerland of Ohio Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, Pandora J. Neuhart, Monroe County Auditor and Susan Tave Zelman, State Superintendent of Public Instruction.

JIM PETRO
Auditor of State

March 26, 2002

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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

Report on Termination of the Switzerland of Ohio Local School District Financial Planning and Supervision Commission

At the request of the Board of Education (the Board) of the Switzerland of Ohio Local School District (the School District), Monroe County, the Auditor of State has performed an analysis to determine whether the Financial Planning and Supervision Commission (the Commission) and its functions should be terminated.

The Declaration of Fiscal Emergency

The Auditor of State examined a forecast of the Switzerland of Ohio Local School District for fiscal year 1997, which resulted in a declaration of fiscal watch on November 27, 1996. The School District adopted a financial recovery plan on January 21, 1997, and received approval of that plan from the State Superintendent of Public Instruction on April 20, 1997. However, prior to receipt of the approval, the School District petitioned the Monroe County Court of Common Pleas for relief of any further reporting due to the declaration of fiscal watch and that no fiscal emergency be declared pending a determination of the trial court of the rights of the parties.

The Auditor of State examined the School District's forecast and certified an operating deficit for fiscal year 1998 and, again declared the School District in a fiscal watch on December 29, 1997. The results of the analysis were as follows:

1. The Auditor of State certified an operating deficit for the general fund in the amount of $2,445,000 which exceeded eight percent of the general fund revenues of the prior fiscal year;

2. The Switzerland of Ohio Local School District's unencumbered cash balance of $55,000 was less than eight percent of the preceding year's expenditures; and,

3. The School District had not passed a levy that would eliminate the first two conditions.

On May 27, 1998, the School District requested that the case filed in the Monroe County Court of Common Pleas be dismissed. After the dismissal was granted by the judge, the School District, not having completed a financial recovery plan, was declared in a state of fiscal emergency on June 9, 1998.

Section 3316.03(B)(2) of the Ohio Revised Code requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district board of education fails, pursuant to Section 3316.04 of the Ohio Revised Code, to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch.

Upon declaration of fiscal emergency, a seven member financial planning and supervision commission was created pursuant to Section 3316.05 of the Revised Code.

Under Section 3316.16 of the Ohio Revised Code, a school district's financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;

2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;

3. The objectives of the financial recovery plan are being met; and,

4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse."

The results of the analysis performed by the Auditor of State in determining if the Commission will continue to exist are as follows:

The Financial Accounting and Reporting Systems

The Auditor of State, in accordance with Section 3316.10 (A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the School District and issued a Financial Accounting Report, dated September 8, 1998. The report identified areas where the School District's financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State. The Board of Education was required to promptly bring its existing financial accounting and reporting system into compliance with Section 117.43 of the Ohio Revised Code.

The criteria for termination of the Commission and the fiscal emergency condition includes a determination of whether an effective financial accounting and reporting system as been implemented or is in the process of being implemented, and is expected to be completed within in two years. This determination included management providing a written assessment of the issues that were identified in the Financial Accounting Report. Our responsibility is to determine, based on inquiries, observations, and a review of other financial reports, including audit reports and management letters, whether management has in place an effective financial accounting and reporting system, which includes the correction of those issues identified in the Financial Accounting Report. A summary of management's assessment of those issues is presented below:

Financial Accounting Report

Budgetary Process

- The School District is utilizing their annual appropriation resolution as a tool to monitor their expenditures. The School District is focusing on eliminating their debt in order for their budget to reflect only what is necessary to conduct daily operations.

Revenue Activity

- The Treasurer has adopted, by resolution, a policy regarding the utilization of a daily receipt log to ensure that all deposits have been made on a timely basis.

- The Treasurer has adopted, by resolution, a policy regarding the School District utilizing a daily log to be signed by the courier to provide evidence that the bank bags were picked up to be deposited at the bank.

- The School District has adopted, by resolution, an accounts receivable system to record billing and collections regarding outstanding meal charges.

Purchasing Process

- The School District has adopted, by resolution, a policy regarding the processing of purchase orders. All purchase orders will be generated from a properly executed purchase requisition. In order for a purchase order to be generated, it is mandatory that an adequate appropriation exists. Any requisition that exceeds the appropriation will not be processed.

Payroll Process

- The School District has limited full access to the payroll system to three individuals, two clerk accountants who are responsible for performing day-to-day payroll operations and the Treasurer. Two additional members of the Treasurer's office have limited access to the payroll system for the processing of fringe benefit information.

- The School District stores their checks and blank purchase orders in a locked cabinet.

Debt Activity

- The School District has been successful in reducing the amount of debt issued to finance current operations. In fiscal year 2001, the School District did not receive any State Solvency Assistance Advancements and does not anticipate the need to borrow over the five year forecast period. The State Solvency Assistance Advance from fiscal year 2000 will be fully repaid in fiscal year 2002, and the House Bill 264 Loan will be fully repaid in January 2003.

Cash Management and Investing

- The School District only invests in STAROhio; therefore, they are not required to have an investment policy.

- The School District's clerk accountant completes monthly bank reconciliations with the appropriate detail for all reconciling items for the payroll and general account. The Treasurer reviews and signs off on both reconciliations each month.

School District's Financial Reporting

- Since 1998, the School District has prepared an annual financial report in accordance with generally accepted accounting principals.

The Fiscal Emergency Conditions

The Auditor of State is to issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.

2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first such plan was approved.

3. The Superintendent of Public Instruction has reported to the Auditor of State that the district is not materially complying with the provisions of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined the declaration of a state of fiscal emergency necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.

4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,

5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

The results of our analysis of the fiscal emergency conditions are as follows:

1. The School District no longer has an operating deficit in the general fund.

2. Once declared in fiscal emergency, the School District was not required to submit a plan to the State Superintendent of Public Instruction.

3. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.

4. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.

The Financial Recovery Plan

We obtained a copy of the latest financial recovery plan of the School District, dated January 17, 2001 and interviewed the Treasurer of the School District and received information from the Chairperson of the Financial Planning and Supervision Commission. The key provisions of the financial plan were as follows:

1. The District should borrow an estimated $2.5 million for fiscal year 1999 through tax anticipation notes and Solvency Assistance Loans and Advancements.

2. The District should develop a five year financial forecast that establishes the parameter of expenditures versus revenues for the District

3. The Superintendent with staff from the Fiscal Oversight Section of the Ohio Department of Education should prepare a district staffing analysis for fiscal year 1999.

4. The Board of Education should contain expenditures consistent with the five year financial forecast and the Financial Recovery Plan.

5. The District should pursue revenue enhancement through a property tax levy or income tax levy to reduce the debt of the District.

Actions taken to achieve the provisions of the plan include the following:

1. In fiscal year 1998 and 1999, the School District borrowed $1,128,000 and $2,819,000 in State Solvency Assistance Loans, which have been repaid in full. In fiscal year 2000, the School District obtained $1,362,000 from the State Solvency Assistance Fund which will be repaid in full in fiscal year 2002.

2. The School District has developed a financial forecast each year that they have been in fiscal emergency. The Commission approves each forecast annually after it is adopted by the Board of Education. The School District Treasurer provides the Commission and the Board of Education with a monthly monitoring report comparing actual financial transactions to estimated.

3. The first staffing analysis was completed January 20, 1999, and any subsequent additions to staff were approved by the Commission if justification existed and funds were available. During fiscal year 1999, the following personnel and non-personnel reductions occurred:

   Fiscal year 1999 personnel savings:

Highschool Teacher	$53,000
Vocational Teacher	53,000
Assistant Principal	64,000
Pre-School Teacher	30,000
Total FY 1999 personnel savings	$200,000

   Fiscal year 1999 non-personnel savings:

   The School District purchased modular classrooms rather than lease to purchase which resulted in an interest savings of $100,000.

4. The Board of Education has adopted appropriations within the limits of the five year financial forecast and Recovery Plan guidelines. In addition, the District with the cooperation and approval of the Commission negotiated three year agreements in fiscal year 2000 with certified and classified employees in which there were no increases in base pay.

5. The District successfully renewed the 2.5 capital improvement levy in May of 1999 and the 5.0 mill current operating levy in March of 2000.

Report on Termination of the Switzerland of Ohio Local School District Financial Planning and Supervision Commission

The Five Year Forecast

The Auditor of State has examined the School District's financial forecast for the fiscal years ending June 30, 2002 through 2006. Based on the financial forecast, the fiscal emergency conditions have been eliminated and no new fiscal emergency conditions are expected to occur during the forecast period. The School District's five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the forecast period and the Auditor of State, in a report dated February 8, 2002, rendered a "nonadverse" opinion on the financial forecast.

Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented policies for a sound accounting and reporting system;

2. The School District has corrected or eliminated all the fiscal emergency conditions and it appears that, based on the five year financial forecast, the School District will remain out of fiscal emergency;

3. The School District has met the major objectives of the Financial Recovery Plan; and,

4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Switzerland of Ohio Local School District and its functions may be terminated.

It is understood that this report's determination is for the use of the Switzerland of Ohio Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, Pandora J. Neuhart, Monroe County Auditor, Susan Tave Zelman, State Superintendent of Public Instruction, and others as designated by the Auditor of State, and is not to be used for any other purpose.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

Switzerland of Ohio Local School District
Monroe County

Financial Forecast

For the Fiscal Years Ending June 30, 2002 Through 2006

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Switzerland of Ohio Local School District
Monroe County

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Board of Education
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Independent Accountant's Report

We have examined the accompanying forecasted schedule of revenues, expenditures, and changes in fund balance of the general fund of the Switzerland of Ohio Local School District for the fiscal years ending June 30, 2002 through 2006. The Switzerland of Ohio Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for managements forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The financial statements for the years ended June 30, 1999, 2000, and 2001 were audited by the Auditor of State's Office and included an unqualified opinion on those financial statements in reports dated February 8, 2000, December 5, 2000 and December 7, 2001, respectively. We have not performed any auditing procedures since.

JIM PETRO
Auditor of State

February 8, 2002

Switzerland of Ohio Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
For The Fiscal Years Ended June 30, 1999, 2000 and 2001 Actual;
Fiscal Years Ending June 30, 2002 through June 30, 2006 Forecasted
General Fund

	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual
Revenues			
General Property Tax (Real Estate)	$3,269,000	$3,356,000	$3,400,000
Tangible Personal Property Tax	4,984,000	4,912,000	5,907,000
Unrestricted Grants-in-Aid	7,655,000	7,520,000	7,922,000
Restricted Grants-in-Aid	987,000	859,000	797,000
Property Tax Allocation	498,000	509,000	467,000
All Other Revenues	545,000	714,000	567,000
Total Revenues	17,938,000	17,870,000	19,060,000
Other Financing Sources			
Solvency Assistance Loans	2,819,000	1,362,000	0
Transfers In	65,000	44,000	218,000
Advances In	0	144,000	196,000
Other Financing Sources	7,000	22,000	29,000
Total Other Financing Sources	2,891,000	1,572,000	443,000
Total Revenues and Other Financing Sources	20,829,000	19,442,000	19,503,000
Expenditures			
Personal Services	9,792,000	9,986,000	10,149,000
Employees' Retirement/Insurance Benefits	3,085,000	3,049,000	3,241,000
Purchased Services	1,134,000	1,090,000	1,332,000
Supplies and Materials	525,000	603,000	729,000
Capital Outlay	119,000	267,000	312,000
Refund of Property Taxes	457,000	444,000	404,000
Debt Service:			
Principal - Notes	1,317,000	140,000	150,000
Principal - Solvency Assistance Advance	0	1,130,000	2,091,000
Principal - State Loans	1,510,000	1,410,000	0
Principal - HB 264 Loans	135,000	135,000	135,000
Interest and Fiscal Charges	268,000	114,000	22,000
Other Objects	903,000	986,000	990,000
Total Expenditures	19,245,000	19,354,000	19,555,000
Other Financing Uses			
Operating Transfers Out	51,000	121,000	175,000
Advances Out	144,000	197,000	2,000
Other Financing Uses	0	0	14,000
Total Other Financing Uses	195,000	318,000	191,000
Total Expenditures and Other Financing Uses	19,440,000	19,672,000	19,746,000
Excess of Revenues and Other Financing Sources under Expenditures and Other Financing Uses	1,389,000	(230,000)	(243,000)
Cash Balance July 1	275,000	1,664,000	1,434,000
Cash Balance June 30	1,664,000	1,434,000	1,191,000
Less Encumbrances and Reserves:			
Estimated Encumbrances June 30	303,000	387,000	452,000
Reservations of Fund Balance			
Textbooks and Instructional Materials	0	0	0
Capital Improvements Reserve	0	0	0
Budget Reserve	108,000	108,000	108,000
Total Encumbrances and Reservations of Fund Balance	411,000	495,000	560,000
Unencumbered/Unreserved Fund Balance (Deficit) June 30	1,253,000	939,000	631,000
Renewal Levy			
General Property Tax (Levy Renewal)	0	0	0
Unreserved Fund Balance June 30 (with Levy Renewal)	$1,253,000	$939,000	$631,000

See accompanying summary of significant forecast assumptions, accounting policies, and accountant's report.

Fiscal Year 2002 Forecasted	Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted	Fiscal Year 2006 Forecasted
$3,718,000	$3,755,000	$3,793,000	$3,831,000	$3,592,000
4,799,000	4,635,000	4,681,000	4,728,000	4,667,000
9,050,000	9,324,000	9,460,000	9,598,000	9,738,000
998,000	1,212,000	1,425,000	1,637,000	1,849,000
575,000	581,000	588,000	542,000	533,000
530,000	440,000	441,000	442,000	443,000
19,670,000	19,947,000	20,388,000	20,778,000	20,822,000
0	0	0	0	0
23,000	23,000	23,000	23,000	23,000
2,000	2,000	2,000	2,000	2,000
46,000	20,000	20,000	20,000	20,000
71,000	45,000	45,000	45,000	45,000
19,741,000	19,992,000	20,433,000	20,823,000	20,867,000
10,199,000	10,710,000	11,115,000	11,535,000	11,972,000
3,840,000	4,221,000	4,519,000	4,840,000	5,191,000
1,462,000	1,517,000	1,575,000	1,635,000	1,697,000
743,000	818,000	905,000	1,005,000	1,122,000
478,000	328,000	328,000	328,000	328,000
210,000	0	0	0	0
0	0	0	0	0
681,000	0	0	0	0
0	0	0	0	0
135,000	135,000	0	0	0
11,000	4,000	0	0	0
962,000	1,016,000	1,074,000	1,137,000	1,204,000
18,721,000	18,749,000	19,516,000	20,480,000	21,514,000
11,000	11,000	11,000	11,000	11,000
2,000	2,000	2,000	2,000	2,000
14,000	14,000	14,000	14,000	14,000
27,000	27,000	27,000	27,000	27,000
18,748,000	18,776,000	19,543,000	20,507,000	21,541,000
993,000	1,216,000	890,000	316,000	(674,000)
1,191,000	2,184,000	3,400,000	4,290,000	4,606,000
2,184,000	3,400,000	4,290,000	4,606,000	3,932,000
505,000	509,000	519,000	529,000	540,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
505,000	509,000	519,000	529,000	540,000
1,679,000	2,891,000	3,771,000	4,077,000	3,392,000
0	0	0	0	385,000
$1,679,000	$2,891,000	$3,771,000	$4,077,000	$3,777,000

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2002 through 2006

Note 1 - Nature and Limitations of the Forecast

This financial forecast presents, to the best of the Switzerland of Ohio Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of February 8, 2002, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under Sate law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA), textbook subsidy fund and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1999, 2000 and 2001. These differences are as follows:

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
Revenues and Other Sources			
General Fund as Previously Reported	$16,249,000	$15,333,000	$16,026,000
Texas Eastern Repayment	457,000	444,000	404,000
E-Rate	7,000	2,000	15,000
DPIA	823,000	734,000	658,000
Textbook Subsidy	43,000	0	0
General Fund Supported Debt	3,250,000	2,929,000	2,400,000
Total Revenues and Other Sources per Forecast	20,829,000	19,442,000	19,503,000
Expenditures and Other Uses			
General Fund as Previously Reported	15,376,000	16,026,000	16,430,000
Texas Eastern Repayment	457,000	444,000	404,000
DPIA	693,000	641,000	896,000
Textbook Subsidy	5,000	13,000	39,000
General Fund Supported Debt	3,212,000	2,935,000	2,429,000
Less Encumbrances	(303,000)	(387,000)	(452,000)
Total Expenditures and Other Uses per Forecast	19,440,000	19,672,000	19,746,000

Continued

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,389,000	(230,000)	(234,000)
Cash Fund Balance at Beginning of Fiscal Year	$275,000	$1,664,000	$1,434,000
Cash Fund Balance at End of Fiscal Year	1,664,000	1,434,000	1,191,000
Encumbrances at Fiscal Year End	(303,000)	(387,000)	(452,000)
Unencumbered Fund Balance at Fiscal Year End	$1,361,000	$1,047,000	$739,000

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other that those financed by proprietary funds).

Proprietary Funds

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds

Trust and Agency Funds - Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include an expendable trust fund and agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the fund-function level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget - A tax budget of estimated cash rceipts and disbursements is submitted to the Monroe County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 - General Operating Assumptions

The Switzerland of Ohio Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Monroe, Belmont, and Noble County Auditors as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first $10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and last year of collection.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last year of Collection	Full Tax Rate (Mills)
Inside Millage Limitation	n/a	n/a	$3.90
Continuing Operating	1971	n/a	16.60
Continuing Operating	1971	n/a	3.90
Continuing Operating	1973	n/a	1.30
Continuing Operating	1974	n/a	2.00
Continuing Operating	1980	n/a	2.70
5 Year Operating Renewal	2000	2005	5.00
Total Tax Rate			$35.40

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility real property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedules represents gross property tax revenue. The forecasted figures for fiscal year 2002 are based on the most recent information provided by the Monroe, Belmont and Noble County Auditors. Based upon this information, the School District anticipates receiving $3,718,000, in real estate tax revenue, an increase of $318,000 from the prior fiscal year. The increase is attributed to an increase in assessed valuations caused by the triennial update of real property values.

The amounts forecasted for fiscal years 2003 through 2006 are based on information provided by the Monroe, Belmont and Noble County Auditors and include an increase of one percent each year. In fiscal year 2006, property tax revenues have been reduced for the expiration of the March 2000, 5 mill operating levy. The loss in revenue of approximately $385,000 is equal to one half the annual revenue from the levy.

Tangible Personal Property Tax **-** Tangible personal property tax revenues are generated from the property used in business and public utility personal property tax revenue. As with real estate taxes, tangible personal property taxes are based upon the most recent information provided by the Monroe, Belmont and Noble County Auditors which includes full year actual tax settlements.

The School District expects to receive $4,799,000 in tangible personal property tax which is a decrease of $1,318,000 from the amount received in fiscal year 2001. The decrease is due to a late tangible personal property tax payment of the Ormet Corporation.

For fiscal years 2003 through 2006, a one percent increase is anticipated each year due to changes in the assessed value of personal property. For fiscal year 2006, the School District has decreased tax revenues due to the expiration of the 5 mill levy.

The School District has assumed in the forecast that they will not be materially affected by Senate Bill 3, as amended by Senate Bill 287, with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). The Ohio Department of Taxation estimated a decline of approximately $280,000 in property tax revenue beginning in 2002. The School District will be reimbursed the full amount of the loss through unrestricted grants-in-aid revenue.

B. Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, vocational education, and preschool units.

In 2002, State law set the base cost per pupil at $4,814 and increased the rate each year thereafter to $4,949 for fiscal year 2003, $5,088 for fiscal year 2004, $5,230 for fiscal year 2005, and $5,376 for fiscal year 2006.

The anticipated revenue for fiscal year 2002 of $8,910,000 is based on current estimates provided by the Ohio Department of Education. The estimated increase of $988,000 is due to the impact of House Bill 94, the new Budget Bill. Although State law increases the base cost per pupil approximately 2.8 percent, per year, anticipated increases in assessed values will limit this increase to approximately one and one half percent for fiscal years 2004 through 2006.

In addition to State foundation revenue, the School District is anticipating $140,000 in reimbursements for the lost property tax revenue due to the electric deregulation, based on tax information provided by the Ohio Department of Taxation. The School District will receive half of their reimbursement in fiscal year 2002 and the full reimbursement of $280,000 each year of the remaining forecasted period.

C. Restricted Grants-in-Aid

Restricted grants-in-aid for fiscal year 2002 consists of disadvantaged pupil impact aid (DPIA), bus purchase allowance revenues and parity aid in the amounts of $656,000, $129,000 and $213,000, respectively. For fiscal years 2003 through 2006, the School District anticipates disadvantaged pupil impact aid to remain constant and 90 percent of the revenue will continue to be restricted grants-in-aid.

The School District estimates bus purchase revenues to remain constant through fiscal year 2006.

The School District will receive 20 percent of their full amount of parity aid in fiscal year 2002. The State law phases in the parity aid distribution by 20 percent increments each year with full distribution in fiscal year 2006.

D. Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead). Based on historical trends this revenue is estimated at fifteen percent of general property taxes.

E. All Other Revenues

All other revenues includes tuition, classroom materials and fees, earnings on investments, miscellaneous receipts from local sources, and vocational mileage reimbursements. These revenues are forecasted at $530,000 for fiscal year 2002, a decrease of $37,000. The decrease is attributed to a drop in interest rates during fiscal year 2002. In fiscal year 2003, a 17 percent decrease in other revenues is anticipated due to a decrease in E-rate reimbursements. All other revenues for fiscal years 2004 through 2006 are based upon fiscal year 2003 and are projected to remain constant.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

F. Operating Transfers and Advances In

Transfers in are forecasted in the amount of $23,000 from the Summer Intervention special revenue grant fund. Historically, transfers in have occurred between the DPIA special revenue fund and the general fund and these were eliminated for the forecast period. The School District anticipates transfers in to remain constant for the forecasted period.

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive $2,000 in fiscal year 2002 from the Chapter I special revenue fund and $2,000 in each year of the forecast period from various special revenue grant funds.

G. All Other Financing Sources

All other financing sources includes revenue from the sale of fixed assets and refunds of prior year expenses which are forecasted at $46,000 for fiscal year 2002, an increase of $17,000. The increase is due to CAFS reimbursements received by the School District in fiscal year 2002. The School District anticipates these amounts to decrease, and $20,000 is forecasted for fiscal years 2003 through 2006.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. Personal Services

Personal services expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, overtime, severance pay, board members' compensation, and student workers. All employees receive their compensation on a bi-weekly basis. The certified, classified, and administrative staff levels are expected to remain constant during the forecast period.

Certified staff salaries are based on contracts with the Switzerland of Ohio Local School District Board of Education and the Switzerland of Ohio Education Association. The certified contract covers the period of July 1, 1999 through June 30, 2002. Classifed staff salaries are based on a contract with the Switzerland of Ohio Local School District Board of Education and the OAPSE/AFCSME Local 4. The classified contract covers the period of January 1, 2000 through December 31, 2002. Under the contracts, staff received no base increases in fiscal years 2001 and 2002.

Certified staff will receive step increases of approximately two percent and educational incentives each year. Classified staff will also receive step increases of approximately two percent each year of the contract. Administrative salaries are set by the Board of Education.

The School District offers severance pay to all employees upon retirement. Certified employees may elect to be paid in cash for one-fourth of the value of their accrued but unused sick leave credit to a maximum of 56 days. Classified employees may elect to be paid in cash for one-fourth of their accrued but unused sick leave credit to a maximum of 240 days. Payment is based upon the employee's per diem rate of pay at the time of separation and shall be made only once to any employee.

The School District also offers super severance to certified employees who retire within their first year of eligibility. Certified employees may elect to be paid in cash for one-half of the value of their accrued but unused sick leave credit to a maximum of 56 days. Super severance is made in two payments over a two year period.

Presented below is a comparison of salaries and wages for the fiscal year 2001 and the forecasted period:

	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Forecast Fiscal Year 2003	Forecast Fiscal Year 2004	Forecast Fiscal Year 2005	Forecast Fiscal Year 2006
Certified Salaries	$7,533,000	$7,516,000	$7,906,000	$8,214,000	$8,534,000	$8,868,000
Classified Salaries	1,922,000	1,993,000	2,098,000	2,180,000	2,265,000	2,353,000
Substitute Salaries	287,000	280,000	286,000	292,000	298,000	304,000
Supplemental Contracts	160,000	160,000	163,000	166,000	169,000	172,000
Severance Pay	209,000	210,000	215,000	220,000	225,000	230,000
Other Salaries and Wages	38,000	40,000	42,000	43,000	44,000	45,000
	$10,149,000	$10,199,000	$10,710,000	$11,115,000	$11,535,000	$11,972,000

The significant changes between the previous year and fiscal year 2002 results from a decrease in certified salaries due to the retirement of two certified employees who were replaced during the year at a lower step rate of pay and an increase in classified salaries due to step increases.

Fiscal year 2003 certified and classified salaries include a three percent base increase and two percent step increases. The School District anticipates two percent base increases and a two percent step increases from fiscal years 2004 through 2006.

B. Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, pick up, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are withheld from the semi-monthly state foundation settlements based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year. For fiscal year 2002 retirement costs are expected to increase in relation to the increase in salaries. The School District also pays, on behalf of the employees, two percent of the employees' retirement contribution.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, single versus family coverage, the monthly premiums, and anticipated increases during the forecast period. Premiums are fixed for a one year period beginning August 1 of each year. Health care premiums are paid in advance of the period covered. Health care costs are anticipated to increase 23 percent in 2002 and nine percent, per year, over the remaining forecast period.

The School District currently participates in the Ohio School Boards Association Workers' Compensation Group Rating Program. The School District pays a rate billed by the State Worker's Compensation system based on the group rate and the actual salaries for the premium period. For fiscal year 2002, an increase in workers' compensation is expected because of a 75 percent reduction in premium for the prior fiscal year.

Presented below is a comparison employees' retirement and insurance benefits of fiscal year 2001 and the forecasted period:

	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Forecast Fiscal Year 2003	Forecast Fiscal Year 2004	Forecast Fiscal Year 2005	Forecast Fiscal Year 2006
Employer's Retirement	$1,608,000	$1,669,000	$1,710,000	$1,776,000	$1,842,000	$1,913,000
Health Care Insurance	1,565,000	2,045,000	2,374,000	2,597,000	2,842,000	3,110,000
Workers' Compensation	10,000	62,000	64,000	65,000	66,000	68,000
Medicare	56,000	62,000	70,000	78,000	87,000	97,000
Unemployment	2,000	2,000	3,000	3,000	3,000	3,000
	$3,241,000	$3,840,000	$4,221,000	$4,519,000	$4,840,000	$5,191,000

C. Purchased Services

Purchased service expenditures include professional services, property services, travel and meeting expenses, communication, utilities, tuition and transportation costs.

Presented below is a comparison of fiscal year 2001 and the forecasted period:

	Actual Fiscal Year 2001	Forecast Fiscal Year 2002	Forecast Fiscal Year 2003	Forecast Fiscal Year 2004	Forecast Fiscal Year 2005	Forecast Fiscal Year 2006
Professional and Technical Services	$91,000	$118,000	$122,000	$126,000	$129,000	$133,000
Property Services	153,000	187,000	190,000	194,000	198,000	202,000
Travel and Meeting Expenses	61,000	82,000	84,000	87,000	89,000	92,000
Communication	128,000	114,000	117,000	121,000	125,000	128,000
Utilities Services	459,000	381,000	401,000	420,000	442,000	464,000
Tuition	231,000	366,000	385,000	404,000	424,000	445,000
Pupil Transportation	179,000	181,000	184,000	188,000	192,000	196,000
Other Purchased Services	30,000	33,000	34,000	35,000	36,000	37,000
	$1,332,000	$1,462,000	$1,517,000	$1,575,000	$1,635,000	$1,697,000

Purchased service costs are anticipated to increase four percent, per year, over the forecast period. The significant increases in purchased services between fiscal year 2001and fiscal year 2002 include the following:

- An increase in professional and technical services based upon occupational and physical therapy costs that were paid out of the Title VI-B fund in the previous year that will be paid out of the General Fund for the forecasted period;
- An increase in property services due to the School District replacing windows within several of their buildings;
- A decrease in utility services based upon a drop in the purchase price for natural gas; and,
- An increase in tuition costs based upon the additional costs of a psychologist, a severe behavioral aide, a severe behavioral teacher, a talented and gifted teacher, and preschool services.

D. Supplies and Materials

Expenditures for supplies and materials include general and office supplies, teaching aids, dispensary supplies, software materials, textbooks, and supplemental textbooks. Expenditures in fiscal year 2001 include first time expenditures for the career technology program, which will continue throughout the forecast period. Fiscal year 2002 expenditures for supplies and materials are anticipated to increase only $14,000. Fiscal years 2003 through 2006, the School District anticipates increases of 11 percent, annually, due primarily to increases in career technology expenditures.

The School District historically purchases classroom textbooks through their permanent improvement levy and anticipates to continue this practice throughout the forecast period.

E. Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general governmental services is to report the expenditure of resources, not costs.

Capital outlay expenditures are expected to remain constant for maintenance within the buildings, career technology equipment, and school buses. Fiscal year 2002 includes $135,000 for a new modular classroom unit, $181,000 for various new equipment, and $141,000 for a new school bus.

F. Refund of Property Taxes

Based on a March 26, 1997 decision by the Ohio State Supreme Court, the School District is required to refund to Texas Eastern Transmission Corporation public utility property taxes collected for the 1991 through 1996 tax years. The repayment of this liability is deducted from the property tax settlements each year. The School District will make their final payment to Texas Eastern in fiscal year 2002.

The prior and current year refund payments are as follows:

Fiscal Year Ending June 30,	Requirement
1999	$457,000
2000	444,000
2001	404,000
2002	210,000

G. Debt Service

The principal and interest payments to be made during the forecast period for energy conservation loans and a solvency assistance advance are as follows:

Year	H.B. 264 Energy Conservation	Solvency Assistance Advance	Total Principal	Interest
FY 2002	$135,000	$681,000	$816,000	$11,000
FY 2003	135,000	0	135,000	4,000

The energy conservation loans are paid from general fund revenues. The solvency assistance advance is paid from State foundation revenues.

H. Other Objects

This account includes dues, fees, liability insurance, open enrollment, other miscellaneous goods and services not otherwise classified in another account, and refund of prior years' receipts. For fiscal year 2002, the School District anticipates spending $962,000, a decrease of $28,000 over fiscal year 2001. The decrease is due to a drop in the cost of open enrollment for the School District. Fiscal years 2003 through 2006 expenditures are based on fiscal year 2002 with annual increases of six percent based on an analysis of projected expenditures and the School District's anticipated cost increases.

I. Operating Transfers and Advances Out

The School District anticipates transfers and advances out of $11,000 and $2,000, respectively. The estimated transfers out are between special revenue grant funds and the general fund. Historically, transfers out were between the DPIA special revenue fund and the general fund. These transfers were eliminated for the forecast period. Transfers and advances out are projected to remain consistent for the remainder of the forecast period.

Note 7 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for benefits, purchased services, supplies and materials, capital outlay and other objects expenditures for fiscal year ended June 30, 2001 were $452,000 and are forecasted at $505,000 for June 30, 2002. Forecasted encumbrances include the State Teachers' Retirement Advance for fiscal year 2002. Encumbrances are forecasted to remain approximately the same during fiscal years 2003 through 2006 based upon fiscal year 2002.

Note 8 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in the future years.

Effective July 1, 2001, Senate Bill 345 provides an alternate formula to calculate the set aside amount for the textbook and instructional materials and capital improvements and maintenance. The alternate formula requires three percent of the State base cost formula amount for the current fiscal year multiplied by the school district's student population for that fiscal year. A school district may, at its option, continue to use the current formula to calculate the set aside requirement each year. For presentation in this forecast, management has calculated the set aside requirements based on the alternate formula.

A. Textbooks and Instructional Materials

The set aside required amount for fiscal year 2002 is $415,000. Qualifying expenditures in the amount of $349,000 and $391,000 in off-sets from a permanent improvement levy are anticipated. Qualifying expenditures are in excess of the required set aside amount, therefore, no reserve is required. The School District anticipates that qualifying expenditures and the carry forward of excess amounts will completely offset the set aside requirement for remainder of the forecast period.

B. Capital Acquisition and Improvements

The School District anticipates off-sets and qualifying expenditures in the area of capital outlay and other objects, as permitted, to completely offset the set aside requirement for the forecast period. Therefore, no reserve is anticipated during the forecast period.

C. Budget Reserve

Effective April 10, 2001, Amended Senate Bill 345, deleted from law the requirement for a school district to establish and appropriate money for budget stabilization. In addition, any money on hand in a school district's budget reserve set aside as of April 10, 2001, may at the discretion of the board be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve set aside. The Budget Reserve will be consumed over the forecast period with excess textbook and other allowable expenditures.

D. Disadvantaged Pupil Impact Aid (DPIA)

Disadvantaged Pupil Impact Aid restricted revenues are projected to be expended completely during fiscal year 2002 and the forecasted period; therefore, no carryover reserve is anticipated.

Note 9 - Levies

The School District's Permanent Improvement levy expires in 2002 and the March 2000 current operating levy will expire in 2005. The School District will make every effort to renew these two levies. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

Date	Type	Amount	Term	Election Results
November 1993	Income Tax	.75 percent	3 Years	Failed
May 1994	Permanent Improvement	2.9 mills	5 Years	Failed
November 1994	Current Operating	5 mills	5 Years	Failed
February 1995	Permanent Improvement	2.5 mills	3 Years	Failed
February 1995	Permanent Improvement	1 mill	3 Years	Failed
February 1995	Permanent Improvement	1 mill	3 Years	Failed
February 1995	Current Operating	5 mills	5 Years	Failed
May 1995	Current Operating	5 mills	5 Years	Passed
November 1995	Permanent Improvement	2.5 mills	3 Years	Failed
March 1996	Permanent Improvement	2.5 mills	3 Years	Passed
May 1997	Current Operating	5.6 mills	5 Years	Failed
November 1997	Bond Issue	5.8 mills	28 Years	Failed
November 1997	Current Operating	6.2 mills	1 Year	Failed
May 1998	Income Tax	1.0 Percent	1 Year	Failed
May 1999	Permanent Improvement	2.5 mills	3 Years	Passed
March 2000	Current Operating	5 mills	5 Years	Passed

Note 10 - Pending Litigation

The Board is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 11 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 8, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court my re-examine and redetermine any issue upon such reconsideration.

As of the date of the financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial statements.

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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 26, 2002