



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

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, 2007, 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 Switzerland of Ohio Local School District, Monroe County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 15, 2008

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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 financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$1,055,414.
- General revenues accounted for \$20,913,480 in revenue or 79 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,666,638 or 21 percent of total revenues of \$26,580,118.
- Total assets of governmental activities decreased by \$711,823. This decrease is mostly attributable to decreases in cash and cash equivalents and property taxes receivable offset by increases in intergovernmental receivables and capital assets.
- The School District had \$25,524,704 in expenses related to governmental activities; only \$5,666,638 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 \$20,913,480 were adequate enough to provide for these programs.
- The School District's major funds are the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$21,104,238 in revenues and \$20,677,956 in expenditures. The General Fund's fund balance increased by \$371,957. The Permanent Improvement Capital Projects Fund had revenues of \$706,488 and \$688,918 in expenditures, with the fund balance increasing by \$17,570 during fiscal year 2007.

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. In the case of Switzerland of Ohio Local School District, the General Fund and the Permanent Improvement Capital Projects Fund are the only major funds.

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Management's Discussion and Analysis
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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 2006-2007 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and *changes* in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors. In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as Governmental Activities including instruction, support services, operation of non-instructional services (including food service operations) and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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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 2007 compared to fiscal year 2006:

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Assets			
Current and Other Assets	\$10,050,703	\$10,998,297	(\$947,594)
Capital Assets	8,654,689	8,418,918	235,771
Total Assets	<u>18,705,392</u>	<u>19,417,215</u>	<u>(711,823)</u>
Liabilities			
Long-Term Liabilities	1,927,896	1,789,506	138,390
Other Liabilities	8,491,450	10,397,077	(1,905,627)
Total Liabilities	<u>10,419,346</u>	<u>12,186,583</u>	<u>(1,767,237)</u>
Net Assets			
Invested in Capital Assets	8,654,689	8,418,918	235,771
Restricted	1,000,797	950,382	50,415
Unrestricted (Deficit)	<u>(1,369,440)</u>	<u>(2,138,668)</u>	<u>769,228</u>
Total Net Assets	<u><u>\$8,286,046</u></u>	<u><u>\$7,230,632</u></u>	<u><u>\$1,055,414</u></u>

Total assets decreased \$711,823. As stated earlier, there was a decrease in cash and cash equivalents during 2007 in the amount of \$263,258. This decrease is a direct result of the School District's cash basis expenditures exceeding receipts. The General Fund alone had a decrease in cash basis fund balance of \$464,859. In addition, property taxes receivable decreased by \$790,582 resulting from the School District reaching a settlement with a local factory in relation to delinquent real and personal property taxes. Offsetting these decreases were increases in intergovernmental receivables of \$108,351 and capital assets of \$235,771. The increase in intergovernmental receivables is a result of the timing of reimbursements of federal and state monies back to the School District. The increase in capital assets is the result of the capitalization of assets exceeding current year depreciation.

In total, liabilities decreased by \$1,767,237 largely the result of deferred revenue decreasing by \$1,295,116. This decrease in deferred revenue corresponds with the decrease in property taxes receivable as discussed above. In addition, the amount of delinquencies has increased resulting in a corresponding decrease to deferred revenue as compared to the previous year. Long-term liabilities consist of compensated absences. This liability increased as a result of increases in employees' rate of pay and accumulated leave balances which exceeded current year severance payments.

Net assets increased \$1,055,414. The biggest change is in unrestricted net assets. The increase of \$769,228 results from the combination of the above changes in assets and liabilities. Most of these changes are associated with the General Fund whose fund balance reverts to unrestricted net assets on the Statement of

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
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Net Assets. Table 2 shows the changes in net assets for fiscal year 2007, and comparisons to fiscal year 2006.

Table 2
Changes in Net Assets

	Governmental Activities		
	2007	2006	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$730,551	\$789,669	(\$59,118)
Operating Grants and Contributions	4,662,661	4,517,760	144,901
Capital Grants and Contributions	273,426	95,917	177,509
Total Program Revenues	<u>5,666,638</u>	<u>5,403,346</u>	<u>263,292</u>
General Revenues			
Property Taxes	8,877,847	7,831,801	1,046,046
Grants and Entitlements	11,686,510	10,842,043	844,467
Investment Earnings	135,104	123,173	11,931
Miscellaneous	214,019	225,154	(11,135)
Total General Revenues	<u>20,913,480</u>	<u>19,022,171</u>	<u>1,891,309</u>
Total Revenues	<u>26,580,118</u>	<u>24,425,517</u>	<u>2,154,601</u>
Program Expenses			
Instruction			
Regular	10,092,025	9,766,660	325,365
Special	2,800,180	2,971,399	(171,219)
Vocational	1,850,848	2,170,077	(319,229)
Adult/Continuing	33,072	37,437	(4,365)
Support Services			
Pupils	926,253	728,004	198,249
Instructional Staff	938,990	1,182,856	(243,866)
Board of Education	18,586	26,530	(7,944)
Administration	1,881,665	1,836,251	45,414
Fiscal	662,109	621,741	40,368
Operation and Maintenance of Plant	2,089,893	1,932,919	156,974
Pupil Transportation	2,441,394	2,620,462	(179,068)
Central	76,059	62,692	13,367
Operation of Non-Instructional Services	1,151,539	1,199,825	(48,286)
Extracurricular Activities	562,091	580,448	(18,357)
Interest	0	133	(133)
Total Expenses	<u>25,524,704</u>	<u>25,737,434</u>	<u>(212,730)</u>
Change in Net Assets	1,055,414	(1,311,917)	2,367,331
Net Assets Beginning of Year	<u>7,230,632</u>	<u>8,542,549</u>	<u>(1,311,917)</u>
Net Assets End of Year	<u>\$8,286,046</u>	<u>\$7,230,632</u>	<u>\$1,055,414</u>

Switzerland of Ohio Local School District, Ohio
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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 33 percent of governmental activities revenues for Switzerland of Ohio Local Schools in fiscal year 2007.

Enrollment is also a factor in the finances of the School District, with enrollment declining in all but one of the last year thirty years. In addition, the School District had a net loss of approximately \$460,060 in open enrollment in fiscal year 2007, which results in local tax dollars going to other school districts.

The School District's direct charges to users of governmental activities made up \$730,551 or 3 percent of total governmental revenues. These charges are from fees for open enrollment, rent, food service operations, and school supply sales. Operating grants and contributions were the largest program revenues, accounting for \$4,662,661 or 18 percent of total revenues. The major recipients of this revenue were the federal and state grant funds and the food service program whose revenues are comprised of federal and state receipts and commodities received to help support the School District's cafeteria operations.

As can be seen from Table 2, the change in net assets shows an increase of \$1,055,414. This is the result of the School District being able to keep expenses below current revenue streams. With total expenses showing a minimal change, property tax revenue is the largest reason for the increase in net assets - an increase of \$1,046,406 from the prior year. This increase in revenue, as previously mentioned, is due to the increase in delinquent taxes which are recognized as revenue in the statement of activities. The largest Governmental Activities program expense is regular instruction, which comprises 40 percent of expenses. Overall, there was a decrease in expenses relating to open enrollment charges from other school district.

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

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
Program Expenses				
Instruction				
Regular	\$10,092,025	\$8,835,432	\$9,766,660	\$8,587,899
Special	2,800,180	1,322,633	2,971,399	1,399,709
Vocational	1,850,848	1,431,028	2,170,077	1,789,763
Adult/Continuing	33,072	(292)	37,437	957
Support Services				
Pupils	926,253	796,744	728,004	662,346
Instructional Staff	938,990	490,656	1,182,856	643,718
Board of Education	18,586	18,586	26,530	26,530
Administration	1,881,665	1,819,722	1,836,251	1,779,560
Fiscal	662,109	655,538	621,741	618,133
Operation and Maintenance of Plant	2,089,893	1,857,305	1,932,919	1,918,566
Pupil Transportation	2,441,394	2,227,196	2,620,462	2,482,391
Central	76,059	7,902	62,692	4,485
Operation of Non-Instructional Services	1,151,539	29,469	1,199,825	122,994
Extracurricular Activities	562,091	366,147	580,448	296,904
Interest	0	0	133	133
Total	\$25,524,704	\$19,858,066	\$25,737,434	\$20,334,088

The dependence upon tax revenues and unrestricted government subsidies for governmental activities is apparent. Approximately 78 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 \$25,909,439 and expenditures of \$25,629,060. The net change in fund balance for the year was most significant in the General Fund, an increase of \$371,957. This net change indicates that the School District was able to meet current obligations with current resources. The General Fund's revenues increased by \$1,654,466 from the previous year. Part of this increase is in cash basis property tax revenue from the collection of personal property tax delinquencies. The remaining increase is due to additional unrestricted state funding from foundation settlements. Expenses have decreased due to fewer students leaving the School District through open enrollment. The Permanent Improvement Capital Projects Fund has increased by \$17,570 from the previous year indicating that activity within this fund has remained consistent with the prior year. The change in the remaining governmental funds is reflecting a minimal decrease of \$102,173.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

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 budget several times, however the final budgeted expenditures represented a minimal increase of 2 percent from the original budgeted amounts.

For the General Fund, budget basis revenues were \$66,406 above final estimates of \$21,048,354. This 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 \$528,024 and was \$349,209 higher than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$8,654,689 invested in land, buildings and improvements, vehicles, and furniture and equipment in governmental activities. See Note 8 for more detailed information of the School District's capital assets.

Economic Factors

Switzerland of Ohio Local School District ended fiscal year 2007 with a positive cash flow. However, there are some uncontrollable variables that will affect future revenues. Some of these include the elimination of the three year averaging for ADM, accelerated phase out of personal property tax on inventory, state deduction for fees from rollback and homestead funds, reduction of bus subsidy and the net loss of students to other school districts through open enrollment.

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

Contacting the School District's Financial Management

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

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Switzerland of Ohio Local School District
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,959,031
Accounts Receivable	18,544
Intergovernmental Receivable	311,044
Materials and Supplies Inventory	1,407
Inventory Held for Resale	7,253
Prepaid Items	58,140
Property Taxes Receivable	7,695,284
Nondepreciable Capital Assets	891,371
Depreciable Capital Assets, Net	<u>7,763,318</u>
Total Assets	<u><u>18,705,392</u></u>
Liabilities	
Accounts Payable	138,097
Accrued Wages and Benefits Payable	1,828,089
Intergovernmental Payable	624,156
Retirement Incentive Payable	19,308
Deferred Revenue	5,881,800
Long-Term Liabilities:	
Due Within One Year	201,843
Due In More Than One Year	<u>1,726,053</u>
Total Liabilities	<u><u>10,419,346</u></u>
Net Assets	
Invested in Capital Assets	8,654,689
Restricted for:	
Capital Projects	828,586
Other Purposes	169,719
Unclaimed Monies	2,492
Unrestricted (Deficit)	<u>(1,369,440)</u>
Total Net Assets	<u><u><u>\$8,286,046</u></u></u>

See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	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	\$10,092,025	\$197,509	\$1,036,198	\$22,886	(\$8,835,432)
Special	2,800,180	0	1,477,547	0	(1,322,633)
Vocational	1,850,848	44,855	374,965	0	(1,431,028)
Adult/Continuing	33,072	0	33,364	0	292
Support Services:					
Pupils	926,253	0	129,509	0	(796,744)
Instructional Staff	938,990	0	448,334	0	(490,656)
Board of Education	18,586	0	0	0	(18,586)
Administration	1,881,665	0	61,943	0	(1,819,722)
Fiscal	662,109	0	0	6,571	(655,538)
Operation and Maintenance of Plant	2,089,893	4,630	117,336	110,622	(1,857,305)
Pupil Transportation	2,441,394	0	91,090	123,108	(2,227,196)
Central	76,059	0	68,157	0	(7,902)
Operation of Non-Instructional Services	1,151,539	296,141	815,690	10,239	(29,469)
Extracurricular Activities	562,091	187,416	8,528	0	(366,147)
Total Governmental Activities	\$25,524,704	\$730,551	\$4,662,661	\$273,426	(19,858,066)
General Revenues					
Property Taxes Levied for:					
					8,253,656
					624,191
					11,686,510
					135,104
					214,019
					<u>20,913,480</u>
					1,055,414
					<u>7,230,632</u>
					<u><u>\$8,286,046</u></u>

See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District
 Balance Sheet
 Governmental Funds
 June 30, 2007

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$789,706	\$714,988	\$451,845	\$1,956,539
Materials and Supplies Inventory	0	0	1,407	1,407
Inventory Held for Resale	0	0	7,253	7,253
Accounts Receivable	14,542	0	4,002	18,544
Interfund Receivable	250,008	0	0	250,008
Intergovernmental Receivable	0	0	311,044	311,044
Prepaid Items	58,140	0	0	58,140
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	2,492	0	0	2,492
Property Taxes Receivable	7,171,870	523,414	0	7,695,284
Total Assets	\$8,286,758	\$1,238,402	\$775,551	\$10,300,711
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$80,023	\$13,994	\$44,080	\$138,097
Accrued Wages and Benefits Payable	1,553,869	0	274,220	1,828,089
Interfund Payable	0	0	250,008	250,008
Intergovernmental Payable	551,899	0	72,257	624,156
Retirement Incentive Payable	2,232	0	17,076	19,308
Deferred Revenue	6,417,318	467,449	229,064	7,113,831
Total Liabilities	8,605,341	481,443	886,705	9,973,489
Fund Balances				
Reserved for Encumbrances	181,958	24,235	73,142	279,335
Reserved for Unclaimed Monies	2,492	0	0	2,492
Reserved for Property Taxes	754,552	55,965	0	810,517
Unreserved:				
Undesignated, Reported in:				
General Fund (Deficit)	(1,257,585)	0	0	(1,257,585)
Special Revenue Funds (Deficit)	0	0	(184,296)	(184,296)
Capital Projects Funds	0	676,759	0	676,759
Total Fund Balances (Deficit)	(318,583)	756,959	(111,154)	327,222
Total Liabilities and Fund Balances	\$8,286,758	\$1,238,402	\$775,551	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 8,654,689

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

	Property Taxes	1,002,967		
	Grants	229,064		
	Total	1,232,031		

Compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. (1,927,896)

Net Assets of Governmental Activities \$8,286,046

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, 2007

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,765,405	\$588,700	\$0	\$8,354,105
Intergovernmental	12,849,409	117,788	3,480,115	16,447,312
Interest	134,589	0	515	135,104
Tuition and Fees	197,509	0	0	197,509
Extracurricular Activities	0	0	187,416	187,416
Rentals	4,630	0	0	4,630
Charges for Services	0	0	340,996	340,996
Gifts and Donations	18,195	0	10,153	28,348
Miscellaneous	134,501	0	79,518	214,019
Total Revenues	<u>21,104,238</u>	<u>706,488</u>	<u>4,098,713</u>	<u>25,909,439</u>
Expenditures				
Current:				
Instruction:				
Regular	8,676,906	81,736	1,024,059	9,782,701
Special	1,885,026	0	913,373	2,798,399
Vocational	1,783,073	0	56,733	1,839,806
Adult/Continuing	0	0	33,072	33,072
Support Services:				
Pupils	773,337	0	150,005	923,342
Instructional Staff	484,402	0	449,283	933,685
Board of Education	18,586	0	0	18,586
Administration	1,777,348	0	57,908	1,835,256
Fiscal	638,346	23,467	0	661,813
Operation and Maintenance of Plant	1,949,600	13,994	116,011	2,079,605
Pupil Transportation	2,413,804	264,912	1,306	2,680,022
Central	0	0	71,064	71,064
Operation of Non-Instructional Services	0	36,571	1,104,809	1,141,380
Extracurricular Activities	277,528	0	284,563	562,091
Capital Outlay	0	268,238	0	268,238
Total Expenditures	<u>20,677,956</u>	<u>688,918</u>	<u>4,262,186</u>	<u>25,629,060</u>
Excess of Revenues Over (Under) Expenditures	<u>426,282</u>	<u>17,570</u>	<u>(163,473)</u>	<u>280,379</u>
Other Financing Sources (Use)				
Proceeds from Sale of Capital Assets	6,975	0	0	6,975
Transfers In	0	0	63,300	63,300
Transfers Out	(61,300)	0	(2,000)	(63,300)
Total Other Financing Sources (Use)	<u>(54,325)</u>	<u>0</u>	<u>61,300</u>	<u>6,975</u>
Net Change in Fund Balances	371,957	17,570	(102,173)	287,354
Fund Balances (Deficit) Beginning of Year	<u>(690,540)</u>	<u>739,389</u>	<u>(8,981)</u>	<u>39,868</u>
Fund Balances (Deficit) End of Year	<u><u>(\$318,583)</u></u>	<u><u>\$756,959</u></u>	<u><u>(\$111,154)</u></u>	<u><u>\$327,222</u></u>

See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District
 Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$287,354

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	726,971	
	Current Year Depreciation	<u>(300,902)</u>	426,069

Governmental funds only report the disposal of capital assets to the extent proceeds in the amount of \$6,975 were received. In the statement of activities, a loss has been reported in the amount of \$183,323 which represents the net carrying value of the assets at the time of disposal: (190,298)

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

	Grants	146,937	
	Delinquent Property Taxes	<u>523,742</u>	670,679

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: (138,390)

Change in Net Assets of Governmental Activities \$1,055,414

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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,782,877	\$7,719,069	\$7,782,224	\$63,155
Intergovernmental	12,598,071	12,858,236	12,849,409	(8,827)
Interest	122,652	132,652	134,589	1,937
Tuition and Fees	155,055	196,977	197,682	705
Rentals	360	4,495	4,630	135
Gifts and Donations	0	18,195	18,195	0
Miscellaneous	201,841	118,730	128,031	9,301
Total Revenues	20,860,856	21,048,354	21,114,760	66,406
Expenditures				
Current:				
Instruction:				
Regular	8,930,520	8,947,474	8,894,791	52,683
Special	2,016,891	2,043,667	2,005,173	38,494
Vocational	1,833,840	1,985,271	1,979,621	5,650
Support Services:				
Pupils	772,367	792,300	783,695	8,605
Instructional Staff	486,924	519,261	516,390	2,871
Board of Education	31,458	24,558	21,264	3,294
Administration	1,788,578	1,809,377	1,792,271	17,106
Fiscal	656,117	661,682	656,190	5,492
Operation and Maintenance of Plant	1,957,118	2,030,631	2,007,009	23,622
Pupil Transportation	2,563,047	2,525,996	2,479,884	46,112
Extracurricular Activities	293,640	300,850	280,119	20,731
Total Expenditures	21,330,500	21,641,067	21,416,407	224,660
Excess of Revenues Over (Under) Expenditures	(469,644)	(592,713)	(301,647)	291,066
Other Financing Sources (Uses)				
Transfers In	50,000	500	0	(500)
Advances In	142,752	142,752	140,226	(2,526)
Proceeds from Sale of Capital Assets	894	6,964	6,975	11
Advances Out	(75,000)	(296,571)	(249,113)	47,458
Transfers Out	(75,000)	(75,000)	(61,300)	13,700
Total Other Financing Sources (Uses)	43,646	(221,355)	(163,212)	58,143
Net Change in Fund Balance	(425,998)	(814,068)	(464,859)	349,209
Fund Balance Beginning of Year	784,665	784,665	784,665	0
Prior Year Encumbrances Appropriated	208,218	208,218	208,218	0
Fund Balance End of Year	\$566,885	\$178,815	\$528,024	\$349,209

See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$66,404</u></u>
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Liabilities

Undistributed Monies	\$895
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Due to Students	65,509
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Total Liabilities	<u><u>\$66,404</u></u>
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See accompanying notes to the basic financial statements.

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Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 127 classified employees, 217 certificated full-time teaching personnel/administrative employees who provide services to 2,659 students and other community members. The School District is the 179th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

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 four organizations which are defined as jointly governed organizations and one insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Southeastern Ohio Special Education Regional Resource Center (SEO-SERRC), the Coalition of Rural and Appalachian Schools, the Ohio Coalition of Equity and Adequacy of School Funding, and the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP). Additional information concerning these organizations is presented in Note 15.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, 2007

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 Permanent Improvement Capital Projects Fund are the School District's major governmental funds:

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

Permanent Improvement The Permanent Improvement Capital Projects Fund is used to account for the proceeds of a tax levy used to finance various capital improvements in the School District, including the purchase of textbooks.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

C. Measurement Focus

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

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 6). 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, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled in a central bank account. Monies for all funds 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 2007, the School District's investment was in STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

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 2007 amounted to \$134,589, which includes \$61,028 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.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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 dollars. The School District currently capitalizes land, buildings and improvements, vehicles, and furniture and equipment. The School District does not possess any

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

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, claims and judgments, matured compensated absences, and retirement incentive benefits are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as 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.

M. 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.

N. Fund Balance Reserves

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

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. For fiscal year 2007, the School District did not have any outstanding debt related to capital 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, extracurricular activities, and resources of state and federal grants restricted for specified purposes. The government-wide statement of net assets reports \$1,000,797 of restricted net assets of which 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.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

P. Extraordinary and Special Items

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

Q. Estimates

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

R. 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 - Accountability and Compliance

A. Accountability

At June 30, 2007, the following funds had deficit fund balances:

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

	Amount
General Fund	\$318,583
Special Revenue Funds:	
Food Service	214,575
IDEA Part B	38,586
Title I	35,919
Miscellaneous Federal Grants	15,743

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 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.

B. Compliance

Contrary to section 5705.39, Revised Code, the Miscellaneous Federal Grants Special Revenue Fund had final appropriations in excess of final estimated resources plus available balances for the fiscal year ended June 30, 2007, in the amount of \$2,450. The School District will more closely monitor budgetary procedures pertaining to violations of this nature in the future.

Note 4 - Budgetary Basis of Accounting

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

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

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balance

GAAP Basis	\$371,957
Net Adjustment for Revenue Accruals	10,513
Fiscal Year 2007 Unreported Cash	(18)
Fiscal Year 2006 Unreported Cash	27
Fiscal Year 2007 Prepaid Items	58,140
Fiscal Year 2006 Prepaid Items	(71,044)
Net Adjustment for Expenditure Accruals	(461,391)
Advances In	140,226
Advances Out	(249,113)
Encumbrances	<u>(264,156)</u>
Budget Basis	<u><u>(\$464,859)</u></u>

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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 \$215,723 of the School District's bank balance of \$315,723, including the payroll account balance of \$145,142, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2007, the School District had an investment in STAROhio. The fair value of the STAROhio investment was \$1,934,226 and the investment has an average maturity of 38.56 days.

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

Credit Risk. STAROhio carries a rating of AAAm by Standard and Poor's. Ohio law requires that Star Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received in calendar 2007 (other than public utility property tax) represents the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out - the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments made by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Monroe, Belmont and Noble Counties. The County Auditors periodically advance to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2007 are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, 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 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2007, \$754,552 was available as an advance in the General Fund and \$55,965 was available to the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2006, was \$771,371 in the General Fund and \$58,354 was available to the Permanent Improvement Capital Projects Fund.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
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On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$220,714,100	72.59%	\$220,714,080	72.43%
Public Utility Personal	49,882,360	16.41%	49,889,210	16.37%
General Business Personal	33,457,170	11.00%	34,132,701	11.20%
Total	\$304,053,630	100.00%	\$304,735,991	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.90		\$37.90	

Note 7 - Receivables

Receivables at June 30, 2007, 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, 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.

A summary of principal items of intergovernmental receivables follows:

	Amounts
Governmental Activities:	
Lunch and Breakfast Reimbursements	\$175,330
Teachers Entry Year Grant	4,000
Ohio READS	4,546
Special Idea Part B Grant	24,487
Title II-A Grant	13,787
Title I	15,355
Drug Free Grant	4,548
Title V	2,011
Secondary Grant	540
CORE Implementation Grant	44,289
ABLE Grant	21,187
Title VII-D	964
Total	\$311,044

Switzerland of Ohio Local School District
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Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Nondepreciable Capital Assets				
Land	\$690,281	\$201,090	\$0	\$891,371
Depreciable Capital Assets				
Buildings and Improvements	13,044,598	15,953	0	13,060,551
Vehicles	3,343,281	353,583	(390,689)	3,306,175
Furniture and Equipment	3,746,338	156,345	(10,827)	3,891,856
Total Capital Assets Being Depreciated	<u>20,134,217</u>	<u>525,881</u>	<u>(401,516)</u>	<u>20,258,582</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(8,200,742)	(166,840)	0	(8,367,582)
Vehicles	(1,616,579)	(100,261)	201,495	(1,515,345)
Furniture and Equipment	(2,588,259)	(33,801)	9,723	(2,612,337)
Total Accumulated Depreciation	<u>(12,405,580)</u>	<u>(300,902) *</u>	<u>211,218</u>	<u>(12,495,264)</u>
Total Capital Assets Being Depreciated, Net	<u>7,728,637</u>	<u>224,979</u>	<u>(190,298)</u>	<u>7,763,318</u>
Governmental Activities Capital Assets, Net	<u>\$8,418,918</u>	<u>\$426,069</u>	<u>(\$190,298)</u>	<u>\$8,654,689</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$79,834
Special		17,498
Vocational		19,093
Support Services:		
Pupils		5,150
Instructional Staff		7,387
Administration		11,358
Fiscal		1,556
Operation and Maintenance of Plant		16,723
Pupil Transportation		123,454
Operation of Non-Instructional Services		18,849
Total Governmental Depreciation		<u>\$300,902</u>

Switzerland of Ohio Local School District
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Note 9 - Interfund Balances and Transfers

A. Interfund Balances

The General Fund has an interfund receivable in the amount of \$250,008. This receivable is the result of loans made to the following nonmajor governmental funds:

Special Revenue Funds:	Interfund Payable
Food Service	\$227,209
Miscellaneous State Grants	5,294
Miscellaneous Federal Grants	17,505
Total Nonmajor Governmental Funds	\$250,008

The loans were issued until the state and federal grant funding is received. These advances will be repaid in fiscal year 2008.

B. Interfund Transfers

During fiscal year 2007, the School District recorded transfers in the following funds:

	Transfers In	Transfers Out
General Fund	\$0	\$61,300
Miscellaneous Local Funds	2,000	0
Miscellaneous State Grants Fund	61,300	2,000
Total	\$63,300	\$63,300

The transfers to the above funds were to help subsidize these programs due to insufficient local and grant subsidies.

Note 10 - 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 2007 the School District purchased the following coverage:

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Indiana Insurance

Fleet Insurance:

Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$1,000,000	any one accident
Physical Damage Comprehensive		actual cash value or cost of repair
Physical Damage Collision		actual cash value or cost of repair
Commercial Property	\$52,915,156	
Commercial General Liability	\$1,000,000	each occurrence
Employer's Stop Gap Liability	\$1,000,000	each accident
School Leaders Errors and Omissions Liability	\$1,000,000	each occurrence \$5,000 deductible
Sexual Misconduct and Molestation Liability	\$1,000,000	each loss
Equipment Breakdown	\$25,000 - \$100,000	
Contractors' Equipment Coverage	\$10,813	\$500 deductible

Westfield Insurance Company

Commercial Crime Coverage	\$10,000	No deductible
Crime and Fidelity Coverage	\$2,500	\$500 deductible

Allstate

Flood Insurance	\$35,000-\$343,000	\$500-\$1,000 deductible
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Ohio Farmers Insurance Company

Superintendent Bond	\$20,000
Treasurer Bond	\$25,000

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

B. Workers' Compensation

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald provides administrative, cost control, and actuarial services to the GRP.

Note 11 - 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.

Switzerland of Ohio Local School District
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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 250 days. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through 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 2007, 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 2007, 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, 2007, there was a liability of \$19,308 for this benefit payable in January 2008.

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan

Switzerland of Ohio Local School District
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members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$304,386, \$300,694, and \$291,610, respectively; 45 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, by calling (614) 227-4090, 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 member 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% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members are required to contribute 10 percent of their annual covered salaries. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,267,877, \$1,297,634, and \$1,284,205, respectively; 81 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$14,010 made by the School District and \$23,865 made by the plan members.

Switzerland of Ohio Local School District
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C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, there is one employee who has elected Social Security.

Note 13 - Postemployment Benefits

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$97,529 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$151,199.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

Switzerland of Ohio Local School District
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Note 14 - Long-Term Obligation

Compensated absences were the School District's only long-term obligation as of June 30, 2007. Changes in this obligation during the year is as follows:

	Outstanding 06/30/06	Additions	Reductions	Outstanding 06/30/07	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$1,789,506	\$381,983	(\$243,593)	\$1,927,896	\$201,843

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service, Poverty Based Assistance, Miscellaneous State Grants, IDEA Part B, Title I, and Miscellaneous Federal Grants Special Revenue Funds.

Note 15 - Jointly Governed Organizations and Insurance Purchasing Pool

A. Jointly Governed Organizations

The **Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)** was created as a regional council of governments pursuant to State statutes. OME-RESA's participants consist of school districts and educational service centers. OME-RESA provides financial accounting services, educational management information, legal services, and cooperative purchasing services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the governing board. OME-RESA has no outstanding debt. During fiscal year 2007, the School District paid \$65,662 to OME-RESA.

The **Southeastern Ohio Special Education Regional Resource Center (SEO-SERRC)** is a special education service center which selects its own board, adopts its own budget and received direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEO-SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representative of county boards of MR/DD, Ohio University and Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2007, the School District paid \$8,750 to SEO-SERRC for services which were withheld from foundation settlements. Financial information can be obtained by contacting the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio, 45701.

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. The board members consist of one member elected and one member appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from the Ohio University College of Education. The Coalition provides various in-service functions for school district administrative personnel; gathers data regarding

Switzerland of Ohio Local School District
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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 2007, the School District paid \$300 to the Coalition.

The **Ohio Coalition of Equity and Adequacy of School Funding** is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2007, the School District paid \$1,325 to the Coalition.

B. Insurance Purchasing Pool

The School District participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (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 OASBO. The Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The School District's enrollment fee for fiscal year 2007 was \$4,939.

Note 16 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
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Note 17 - Set-Asides

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may, at the discretion of the board, be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. In prior years, the Board of Education authorized the expenditure of the budget reserve amount pursuant to State statute, and as a result no budget reserve exists at June 30, 2007.

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

	Textbooks	Capital Improvements
Set-aside reserve balance as of June 30, 2006	(\$2,245,789)	\$0
Current year set-aside requirement	415,821	415,821
Current year offsets	(298,701)	(395,637)
Qualifying disbursements	(389,204)	(20,184)
Total	<u>(\$2,517,873)</u>	<u>\$0</u>
Set-aside balance carried forward to future fiscal years	<u>(\$2,517,873)</u>	<u>\$0</u>
Set-aside reserve balance as of June 30, 2007	<u>(\$2,517,873)</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts to or below zero. The extra amount in the textbook set-aside may be used to reduce the set-aside requirements of future years.

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$0	\$36,634	\$0	\$36,634
Nutrition Cluster:						
School Breakfast Program	048652-05PU-2006	10.553	69,309		69,309	
	048652-05PU-2007		143,606		143,606	
Total School Breakfast Program			212,915	0	212,915	0
National School Lunch Program	048652-LLP4-2006	10.555	99,271		99,271	
	048652-LLP4-2007		250,562		250,562	
Total National School Lunch Program			349,833	0	349,833	0
Total Nutrition Cluster			562,748	0	562,748	0
Total U.S. Department of Agriculture			562,748	36,634	562,748	36,634
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education_State Grant Program	048652-ABS1-2006	84.002	(2,966)		2,695	
	048652-ABS1-2007		30,431		30,431	
Total Adult Education_State Grant Program			27,465	0	33,126	0
Title I Grants to Local Educational Agencies	048652-C1S1-2006	84.010	(75,512)		387	
	048652-C1S1-2007		754,745		699,503	
Total Title I Grants to Local Educational Agencies			679,233	0	699,890	0
Special Education_Grants to States	048652-6BSF-2006	84.027	477		4,835	
	048652-6BSF-2007		733,706		712,009	
Total Special Educatin_Grants to States			734,183	0	716,844	0
Vocational Education_Basic Grants to States	048652-20C1-2006	84.048	10,805		10,500	
	048652-20C1-2007		52,725		45,319	
Total Vocational Education_Basic Grants to States			63,530	0	55,819	0
Safe and Drug-Free Schools and Communities_State Grants	048652-DRS1-2006	84.186	2,526		4,723	
	048652-DRS1-2007		14,222		10,723	
Total Safe and Drug-Free Schools and Communities_State Grants			16,748	0	15,446	0
Javits Gifted and Talented Students Education Grant Program	048652-JGS2-2006	84.206	8,333		8,333	
	048652-JGS1-2006		8,333		7,777	
Total Javits Gifted and Talented Students Educatin Grant Program			8,333	0	16,110	0
State Grants for Innovative Programs	048652-C2S1-2006	84.298	(1,717)		311	
	048652-C2S1-2007		3,630		2,819	
Total State Grants for Innovative Programs			1,913	0	3,130	0
Education Technology State Grants	048652-TJS1-2006	84.318	(2,672)			
	048652-TJS1-2007		8,936		6,540	
Total Education Technology State Grants			6,264	0	6,540	0
Improving Teacher Quality State Grants	048652-TRS1-2006	84.367	(15,760)			
	048652-TRS1-2007		221,555		205,220	
Total Improving Teacher Quality State Grants			205,795	0	205,220	0
Hurricane Education Recovery	04652-HR01-2006	84.938	500		500	
Total U.S. Department of Education			1,743,964	0	1,752,625	0
U.S. DEPARTMENT OF HOMELAND SECURITY						
<i>Passed Through Ohio Emergency Management Agency:</i>						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-DR-1556-OH	97.036	92,133		92,133	
Total U.S. Department of Homeland Security			92,133	0	92,133	0
Total Federal Awards Receipts and Expenditures			\$2,398,845	\$36,634	\$2,407,506	\$36,634

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – TRANSFERS

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

	CFDA	Pass-through Entity		
	<u>Number</u>	<u>Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
	84.002	048652-ABS1-2006		\$2,966
	84.002	048652-ABS1-2007	\$2,966	
	84.010	048652-C1S1-2006		\$75,512
	84.010	048652-C1S1-2007	\$75,512	
	84.186	048652-DRS1-2006		\$2,334
	84.186	048652-DRS1-2007	\$2,334	
	84.298	048652-C2S1-2006		\$1,717
	84.298	048652-C2S1-2007	\$1,717	
	84.318	048652-TJS1-2006		\$2,672
	84.318	048652-TJS1-2007	\$2,672	
	84.367	048652-TRS1-2006		\$15,760
	84.367	048652-TRS1-2007	\$15,760	



Mary Taylor, CPA

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 Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 15, 2008. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the School District's management in a separate letter dated February 15, 2008.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated February 15, 2008.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 15, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of 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 apply to its major federal program for the year ended June 30, 2007. The Summary of Auditor's results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Switzerland of Ohio Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007. In a separate letter to the School District's management dated February 15, 2008, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

February 15, 2008

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, C.F.D.A. #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
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 11, 2008**