

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1998

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Switzerland of Ohio Local School District, Monroe County, Ohio, (the School District) as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain *reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As more fully described in Note 3 to the general purpose financial statements, certain changes in accounting policies and financial practices were made in order to present the aforementioned general-purpose financial statements in conformity with generally accepted accounting principles. Such changes were adopted effective July 1, 1997 and to implement those changes, adjustments were made to restate fund balances as of that date.

The accompanying general-purpose financial statements have been prepared assuming that the School District will continue as a going concern. As discussed in Note 23 to the general-purpose financial statements, the School District accumulated a \$3,705,758 General Fund deficit, a \$168,313 Capital Improvement Fund deficit and an Enterprise Fund type deficit of \$450,494. The Auditor of State has also declared the School District to be in fiscal emergency, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report December 7, 1999, 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 grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



JIM PETRO
Auditor of State

December 7, 1999

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Switzerland of Ohio, Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1998

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$149,970	\$568,479	\$358,481
Receivables:			
Taxes	8,973,542	0	434,500
Accounts	19,252	0	0
Intergovernmental	913,239	15,300	42,000
Prepaid Items	32,166	0	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	0	0	0
Restricted Asset:			
Cash and Cash Equivalents	108,196	0	0
Funds on Deposit with Deferred Compensation Boards	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
 <u>Other Debits:</u>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debits	<u>\$10,196,365</u>	<u>\$583,779</u>	<u>\$834,981</u>

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$86,360	\$95,805	\$0	\$0	\$1,259,095
0	0	0	0	9,408,042
0	0	0	0	19,252
46,863	0	0	0	1,017,402
0	0	0	0	32,166
6,761	0	0	0	6,761
1,432	0	0	0	1,432
0	0	0	0	108,196
0	1,356,292	0	0	1,356,292
60,007	0	21,640,379	0	21,700,386
0	0	0	3,277,499	3,277,499
<u>\$201,423</u>	<u>\$1,452,097</u>	<u>\$21,640,379</u>	<u>\$3,277,499</u>	<u>\$38,186,523</u>

(continued)

Switzerland of Ohio Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 1998

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Liabilities, Fund Equity and Other Credits:			
Liabilities:			
Accounts Payable	\$49,644	\$19,586	\$6,484
Accrued Wages and Benefits Payable	1,288,858	164,744	0
Compensated Absences Payable	85,460	6,150	0
Intergovernmental Payable	265,065	22,592	0
Deferred Revenue	7,289,386	0	434,500
Deferred Compensation Payable	0	0	0
Due to Students	0	0	0
Undistributed Monies	0	0	0
Accrued Interest Payable	1,710	0	2,310
Tax Anticipation Note Payable	1,742,000	0	0
Tax Anticipation Note (2.5 mill) Payable	0	0	560,000
Capital Leases Payable	0	0	0
Energy Conservation Loan Payable	675,000	0	0
State Emergency School Loan Payable	2,505,000	0	0
Tax Refund Payable	0	0	0
Total Liabilities	13,902,123	213,072	1,003,294
Fund Equity and Other Credits:			
Investment in			
General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved (Deficit)	0	0	0
Fund Balance:			
Reserved for Encumbrances	82,495	34,859	7,330
Reserved for Unclaimed Monies	194	0	0
Reserved for Property Taxes	1,684,156	0	0
Reserved for Budget Stabilization	108,196	0	0
Unreserved, Undesignated	(5,580,799)	335,848	(175,643)
Total Fund Equity and Other Credits	(3,705,758)	370,707	(168,313)
Total Liabilities, Fund Equity and Other Credits	\$10,196,365	\$583,779	\$834,981

See accompanying notes to the general purpose financial statements

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$2,213	\$0	\$0	\$0	\$77,927
41,129	0	0	0	1,494,731
38,818	0	0	1,585,577	1,716,005
18,569	0	0	118,576	424,802
3,123	0	0	0	7,727,009
0	1,356,292	0	0	1,356,292
0	54,999	0	0	54,999
0	684	0	0	684
0	0	0	0	4,020
0	0	0	0	1,742,000
0	0	0	0	560,000
0	0	0	58,774	58,774
0	0	0	0	675,000
0	0	0	0	2,505,000
0	0	0	1,514,572	1,514,572
<u>103,852</u>	<u>1,411,975</u>	<u>0</u>	<u>3,277,499</u>	<u>19,911,815</u>
0	0	21,640,379	0	21,640,379
518,024	0	0	0	518,024
(420,453)	0	0	0	(420,453)
0	0	0	0	124,684
0	0	0	0	194
0	0	0	0	1,684,156
0	0	0	0	108,196
0	40,122	0	0	(5,380,472)
<u>97,571</u>	<u>40,122</u>	<u>21,640,379</u>	<u>0</u>	<u>18,274,708</u>
<u>\$201,423</u>	<u>\$1,452,097</u>	<u>\$21,640,379</u>	<u>\$3,277,499</u>	<u>\$38,186,523</u>

Switzerland of Ohio Local School District, Ohio
**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances**
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 1998

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Taxes	\$8,333,848	\$0
Intergovernmental	8,206,390	1,410,729
Interest	123,057	662
Tuition and Fees	58,598	4,329
Rent	1,670	0
Extracurricular Activities	1,906	379,946
Gifts and Donations	0	0
Miscellaneous	206,949	18,880
Total Revenues	16,932,418	1,814,546
Expenditures:		
Current:		
Instruction:		
Regular	6,230,398	162,304
Special	1,118,549	828,668
Vocational	1,367,249	33,372
Adult/Continuing	0	25,584
Other	39,875	0
Support Services:		
Pupils	206,972	335,747
Instructional Staff	361,133	175,955
Board of Education	19,433	0
Administration	1,221,415	78,231
Fiscal	503,665	585
Operation and Maintenance of Plant	1,390,518	6,352
Pupil Transportation	1,751,818	2,056
Central	0	30,666
Non-Instructional Services	701	87,150
Extracurricular Activities	33,375	412,204
Capital Outlay	18,624	4,000
Refund of Property Taxes	319,942	0
Debt Service:		
Principal Retirement	449,169	0
Interest and Fiscal Charges	26,135	0
Total Expenditures	15,058,971	2,182,874
Excess of Revenues Over (Under) Expenditures	1,873,447	(368,328)
Other Financing Sources (Uses):		
Inception of Capital Lease	23,674	0
Operating Transfers In	75,043	485,483
Operating Transfers Out	(564,288)	(75,051)
Other Financing Uses	0	0
Total Other Financing Sources (Uses)	(465,571)	410,432
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,407,876	42,104
Fund Balances (Deficit) at Beginning of Year Restated Note 3	(5,113,634)	328,603
Fund Balances (Deficit) at End of Year	(\$3,705,758)	\$370,707

See accompanying notes to the general purpose financial statements

Capital Projects	Fiduciary Fund Types		Totals (Memorandum Only)
	Expendable Trust		
\$634,214	\$0		\$8,968,062
252,867	0		9,869,986
0	990		124,709
0	0		62,927
0	0		1,670
0	0		381,852
0	1,000		1,000
10	0		225,839
<u>887,091</u>	<u>1,990</u>		<u>19,636,045</u>
358,480	100		6,751,282
3,165	0		1,950,382
180,001	0		1,580,622
0	0		25,584
0	0		39,875
0	0		542,719
0	0		537,088
0	0		19,433
0	0		1,299,646
21,914	0		526,164
0	0		1,396,870
0	0		1,753,874
0	0		30,666
0	0		87,851
0	0		445,579
33,144	0		55,768
0	0		319,942
0	0		449,169
32,494	0		58,629
<u>629,198</u>	<u>100</u>		<u>17,871,143</u>
<u>257,893</u>	<u>1,890</u>		<u>1,764,902</u>
0	0		23,674
78,736	0		639,262
0	0		(639,339)
0	(1,500)		(1,500)
<u>78,736</u>	<u>(1,500)</u>		<u>22,097</u>
336,629	390		1,786,999
<u>(504,942)</u>	<u>39,732</u>		<u>(5,250,241)</u>
<u>(\$168,313)</u>	<u>\$40,122</u>		<u>(\$3,463,242)</u>

Switzerland of Ohio Local School District, Ohio
Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Funds
 For the Fiscal Year Ended June 30, 1998

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$4,913,778	\$5,233,720	\$319,942
Intergovernmental	8,460,128	7,248,815	(1,211,313)
Interest	124,015	124,015	0
Tuition and Fees	58,599	58,599	0
Rent	1,670	1,670	0
Extracurricular Activities	1,906	1,906	0
Gifts and Donations	0	0	0
Miscellaneous	74,243	74,243	0
Total Revenues	13,634,339	12,742,968	(891,371)
Expenditures:			
Current:			
Instruction:			
Regular	6,451,168	6,231,471	219,697
Special	1,120,323	1,116,240	4,083
Vocational	1,489,139	1,398,832	90,307
Adult/Continuing	0	0	0
Other	48,255	33,669	14,586
Support Services:			
Pupils	224,806	216,443	8,363
Instructional Staff	378,943	368,937	10,006
Board of Education	20,203	19,471	732
Administration	1,363,929	1,281,788	82,143
Fiscal	543,141	505,759	37,382
Business	0	0	0
Operation and Maintenance of Plant	1,479,617	1,461,884	17,733
Pupil Transportation	1,849,485	1,817,155	32,330
Central	4,409	0	4,409
Non Instructional Services			
Extracurricular Activities	78,520	39,796	38,724
Capital Outlay	229,737	224,462	5,275
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	15,281,675	14,715,905	565,770
Excess of Revenues Over (Under) Expenditures	(1,647,336)	(1,972,937)	(325,601)
Other Financing Sources (Uses):			
Proceeds from Sale of Long Term Notes	3,420,110	3,420,110	0
Refund of Prior Year Receipts	(701)	(320,643)	(319,942)
Refund of Prior Year Expenditures	112,136	112,136	0
Operating Transfers In	103,523	81,883	(21,640)
Operating Transfers Out	0	(1,482,177)	(1,482,177)
Other Financing Uses	0	0	0
Total Other Financing Sources (Uses)	3,635,068	1,811,309	(1,823,759)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,987,732	(161,628)	(2,149,360)
Fund Balances at Beginning of Year	105,650	105,650	0
Prior Year Encumbrances Appropriated	187,931	187,931	0
Fund Balances at End of Year	\$2,281,313	\$131,953	(\$2,149,360)

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$3,218,389	\$3,218,389	\$0
1,424,688	1,424,688	0	0	0	0
662	662	0	0	0	0
4,329	4,329	0	0	0	0
0	0	0	0	0	0
380,880	380,880	0	0	0	0
0	0	0	0	0	0
17,027	17,027	0	0	0	0
<u>1,827,586</u>	<u>1,827,586</u>	<u>0</u>	<u>3,218,389</u>	<u>3,218,389</u>	<u>0</u>
220,127	173,582	46,545	0	0	0
1,121,659	834,932	286,727	0	0	0
33,062	33,062	0	0	0	0
33,320	33,395	(75)	0	0	0
0	0	0	0	0	0
338,832	338,817	15	0	0	0
225,256	188,433	36,823	0	0	0
0	0	0	0	0	0
88,939	72,115	16,824	0	0	0
1,585	1,585	0	0	0	0
0	0	0	0	0	0
8,443	6,214	2,229	0	0	0
5,486	2,028	3,458	0	0	0
30,489	30,489	0	0	0	0
127,971	98,602	29,369	0	0	0
452,786	424,483	28,303	0	0	0
4,000	4,000	0	0	0	0
0	0	0	2,941,271	3,964,000	(1,022,729)
0	0	0	87,260	80,419	6,841
<u>2,691,955</u>	<u>2,241,737</u>	<u>450,218</u>	<u>3,028,531</u>	<u>4,044,419</u>	<u>(1,015,888)</u>
<u>(864,369)</u>	<u>(414,151)</u>	<u>450,218</u>	<u>189,858</u>	<u>(826,030)</u>	<u>(1,015,888)</u>
0	0	0	0	0	0
(7,316)	(7,316)	0	0	0	0
1,897	1,897	0	0	0	0
485,484	485,484	0	917,889	917,889	0
(75,051)	(75,051)	0	(12)	(6,841)	(6,829)
0	0	0	0	0	0
<u>405,014</u>	<u>405,014</u>	<u>0</u>	<u>917,877</u>	<u>911,048</u>	<u>(6,829)</u>
(459,355)	(9,137)	450,218	1,107,735	85,018	(1,022,717)
431,919	431,919	0	1,191	1,191	0
89,269	89,269	0	0	0	0
<u>\$81,833</u>	<u>\$512,051</u>	<u>\$450,218</u>	<u>\$1,108,926</u>	<u>\$86,209</u>	<u>(\$1,022,717)</u>

(continued)

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Funds(Continued)
 For the Fiscal Year Ended June 30, 1998

<u>Capital Projects Funds</u>			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$274,542	\$274,542	\$0
Intergovernmental	220,531	220,531	0
Interest	0	0	0
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	10	10	0
Total Revenues	495,083	495,083	0
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	533,554	383,171	170,383
Special	3,222	3,165	57
Vocational	189,043	188,278	767
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	21,920	21,914	6
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Non Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	114,537	27,174	87,363
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	862,278	603,700	258,578
Excess of Revenues Over (Under) Expenditures	(367,193)	(108,817)	258,578
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Fixed Assets	0	0	0
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	0	0	0
Operating Transfers In	78,736	78,736	0
Operating Transfers Out	0	0	0
Other Financing Sources	0	0	0
Total Other Financing Sources (Uses)	78,736	78,736	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(288,457)	(29,881)	258,578
Fund Balances at Beginning of Year	199,383	199,383	0
Prior Year Encumbrances Appropriated	89,806	89,806	0
Fund Balances at End of Year	\$732	\$259,308	\$258,578

See accompanying notes to the general purpose financial statements

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$8,406,709	\$8,728,651	\$319,942
0	0	0	10,105,347	8,894,034	(1,211,313)
990	990	0	125,667	125,667	0
0	0	0	62,928	62,928	0
0	0	0	1,670	1,670	0
0	0	0	382,786	382,786	0
1,000	1,000	0	1,000	1,000	0
0	0	0	91,280	91,280	0
<u>1,990</u>	<u>1,990</u>	<u>0</u>	<u>19,177,387</u>	<u>18,286,016</u>	<u>(891,371)</u>
100	100	0	7,204,949	6,768,324	436,625
0	0	0	2,245,204	1,954,337	290,867
0	0	0	1,711,244	1,620,170	91,074
0	0	0	33,320	33,395	(75)
0	0	0	48,255	33,669	14,586
0	0	0	563,638	555,260	8,378
0	0	0	604,199	557,370	46,829
0	0	0	20,203	19,471	732
0	0	0	1,452,868	1,353,901	98,967
0	0	0	566,646	529,258	37,388
0	0	0	0	0	0
0	0	0	1,488,060	1,488,098	19,962
0	0	0	1,854,971	1,819,183	35,788
0	0	0	34,898	30,489	4,409
0	0	0	127,971	98,602	29,369
0	0	0	531,306	464,279	67,027
0	0	0	348,274	255,636	92,638
0	0	0	2,941,271	3,964,000	(1,022,729)
0	0	0	87,260	80,419	6,841
<u>100</u>	<u>100</u>	<u>0</u>	<u>21,864,537</u>	<u>21,605,861</u>	<u>258,676</u>
<u>1,890</u>	<u>1,890</u>	<u>0</u>	<u>(2,687,150)</u>	<u>(3,319,845)</u>	<u>(632,695)</u>
0	0	0	3,420,110	3,420,110	0
0	0	0	(8,017)	(327,959)	(319,942)
0	0	0	114,033	114,033	0
0	0	0	1,585,632	1,563,992	(21,640)
0	0	0	(75,063)	(1,564,069)	(1,489,006)
(1,500)	(1,500)	0	(1,500)	(1,500)	0
<u>(1,500)</u>	<u>(1,500)</u>	<u>0</u>	<u>5,035,195</u>	<u>3,204,607</u>	<u>(1,830,588)</u>
390	390	0	2,348,045	(115,238)	(2,463,283)
39,732	39,732	0	777,875	777,875	0
0	0	0	367,006	367,006	0
<u>\$40,122</u>	<u>\$40,122</u>	<u>\$0</u>	<u>\$3,492,926</u>	<u>\$1,029,643</u>	<u>(\$2,463,283)</u>

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Revenues,
 Expenses, and Changes in Fund Equity
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1998

	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Sales	\$277,115
Charges for Services	48,183
Other Revenues	<u>7,524</u>
Total Operating Revenues	<u>332,822</u>
<u>Operating Expenses:</u>	
Salaries	286,349
Fringe Benefits	130,550
Purchased Services	807
Materials and Supplies	78,022
Cost of Sales	326,729
Depreciation	280
Other	<u>620</u>
Total Operating Expenses	<u>823,357</u>
Operating Income (Loss)	<u>(490,535)</u>
<u>Non-Operating Revenues:</u>	
Federal Donated Commodities	58,260
Federal and State Subsidies	<u>439,384</u>
Total Non-Operating Revenues	<u>497,644</u>
Income (Loss) Before Operating Transfers	7,109
Operating Transfers In	<u>76</u>
Net Income (Loss)	7,185
Retained Earnings (Deficit) at Beginning of Year (Restated - Note 3)	<u>(427,638)</u>
Retained Earnings/Fund Balance (Deficit) at End of Year	(420,453)
Contributed Capital at Beginning of Year	511,024
Contributed Capital at End of Year	<u>518,024</u>
Total Fund Equity at End of Year	<u>\$97,571</u>

See accompanying notes to the general purpose financial statements

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Revenues, Expenses, and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 1998

	<u>Enterprise Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Sales	\$277,115	\$277,115	\$0
Charges for Services	48,183	48,183	0
Other operating revenues	7,524	7,524	0
Total Revenues	332,822	332,822	0
<u>Expenses:</u>			
Salaries	291,433	286,630	4,803
Fringe Benefits	132,096	132,207	(111)
Purchased Services	1,029	807	222
Materials and Supplies	349,784	348,100	1,684
Capital Outlay	4,887	3,797	1,090
Other	670	620	50
Total Expenses	779,899	772,161	7,738
Operating Income (Loss)	(447,077)	(439,339)	7,738
Nonoperating Revenues			
Federal and State Subsidies	484,617	484,617	0
Total Nonoperating Revenues	484,617	484,617	0
Net Income Before Operating Transfers-In	37,540	45,278	7,738
Operating Transfers In	76	76	0
Excess of Revenues Over (Under) Expenses and Operating Transfers	37,616	45,354	7,738
Fund Equity at Beginning of Year (Restated - Note 3)	27,633	27,633	0
Prior Year Encumbrances Appropriated	9,377	9,377	0
Fund Equity at End of Year	\$74,626	\$82,364	\$7,738

The notes to the financial statements are an integral part of this statement

Switzerland of Ohio Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1998

	<u>Enterprise</u>
Increase (Decrease) in	
<u>Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$325,298
Other Operating Revenues	7,524
Cash Payments to Suppliers for Goods and Services	(347,083)
Cash Payments for Employee Services	(286,630)
Cash Payments for Employee Benefits	(132,207)
Cash Payments for Other Operating Expenses	(620)
Net Cash Used for Operating Activities	<u>(433,718)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Transfers In	76
Operating Grants Received	484,617
Net Cash Provided by Noncapital Financing Activities	<u>484,693</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(1,626)
Net Increase (Decrease) in Cash and Cash Equivalents	49,349
Cash and Cash Equivalents at Beginning of Year	<u>37,011</u>
Cash and Cash Equivalents at End of Year	<u>\$86,360</u>
Reconciliation of Operating Income (Loss) to Net	
<u>Cash Used for Operating Activities:</u>	
Operating Income (Loss)	<u>(\$490,535)</u>
Adjustments to Reconcile Operating Income (Loss) to	
<u>Net Cash Used for Operating Activities:</u>	
Depreciation	280
Donated Commodities Used During Year	58,260
<u>Changes in Assets and Liabilities:</u>	
Decrease in Inventory Held for Resale	489
Increase in Materials and Supplies Inventory	(175)
Decrease in Accrued Wages Payable	(5,130)
Increase in Compensated Absences Payable	6,397
Decrease in Intergovernmental Payable	(3,194)
Decrease in Accounts Payable	(110)
Total Adjustments	<u>56,817</u>
Net Cash Used for Operating Activities	<u>(\$433,718)</u>

See accompanying notes to the general purpose financial statements

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 1 – Description of the School District and Reporting Entity

Description of the Entity

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 mandated by state and/or federal agencies. This Board of Education controls the School District's thirteen instructional/support facilities staffed by 121 non-certificated employees, 207 certificated full time teaching personnel and 23 administrative employees to provide services to 2,914 students and other community members.

The School District is the second largest in square miles in the State. It is located in Monroe County and parts of Noble and Belmont counties.

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the 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.

Parochial School – Within the School District boundaries, St. Sylvester's School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this 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.

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 service 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 organizations; 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 approved the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

The following entities which perform activities within the School District boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

Village of Woodsfield The village government of Woodsfield is a separate body politic and corporate. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city service. Council acts as the taxing and budgeting authority for these city services.

Townships located within District Township governments are separate bodies politic and corporate. A board of trustees and clerk are elected independent of any school district relationships and administer the traditional township services. The Trustees act as the taxing and budgeting authority for these services.

PTO and Athletic Boosters These organizations exist to support the various endeavors of the school district through donations of time and other resources. Although the school district benefits directly from the activities, the district neither manages nor directs the operations nor provides financial support to these groups.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note – 1 Description the School District and Reporting Entity (continued)

Switzerland Education Association The association is operated under Ohio Bargaining Law, which requires a separation of the bargaining unit and the School District. The Association represents the eligible certificated employees of the School District regarding personnel related matters. The School District does not designate or appoint the representatives, approve and revise budgets, supervise accounting functions, or assume responsibility for financing deficits. Therefore, the Association is not included in the reporting entity.

The School District is associated with one jointly governed organization and one public entity risk pool. These organizations are discussed in Note 19 and Note 20 to the general purpose financial statements. These organizations are:

Jointly Governed Organization

Southeastern Ohio Voluntary Educational Consortium (SEOVEC)

Public Entity Risk Pools

Ohio School Board Association Workers' Compensation Group Rating Program.

School District Financial Planning and Supervision Commission A Financial Planning and Supervision Commission (Commission), as outlined in Ohio Revised Code Section 3316.05, was established. The Commission has the following powers, duties and functions:

1. To review or assume responsibility for the development of all tax budgets, tax levy and bond and note resolutions, appropriation measures, and certificate of estimated resources, to ensure that they are consistent with the financial recovery plan and a balanced budget for the current fiscal year; to request and review information on which the plan and a balanced budget may be developed and based; and to determine whether revenue and expenditure estimates will result in a balanced budget;
2. To review, revise, and approve determinations and certifications affecting the school district made by the county budget commission or county auditor, and to ensure that such determinations are consistent with state law;
3. After consulting with school district officials and the Auditor of State, to implement or require implementation of the steps necessary to bring the accounting, financial, and reporting procedures and systems of the district into compliance with the Auditor's rules, and to assume responsibility for achieving such compliance;
4. To make and enter into all contracts necessary or incidental to the performance of its duties and the exercise of its powers;
5. To consult with officials of the district and make recommendations or assume responsibility for implementing cost reductions and revenue increases to achieve balanced budgets and carry out the financial recovery plan; and
6. The commission is authorized to require the school district board to establish, by resolution, monthly level of expenditures and encumbrances consistent with the financial recovery plan and the commission's review of the district's appropriation measures, or could establish such levels itself. If the commission permits the district to make expenditures, it must monitor monthly spending levels and require justification documents to substantiate any expenditure apart from the approved level without the written approval of the commission.

The Commission is still developing actions for its financial recovery plan.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 2 – Summary of Significant Accounting Policies

The financial statements of Switzerland of Ohio Local 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 proprietary 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 – Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statements presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund

The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenues Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

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

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds)

Proprietary Fund Type

Proprietary Funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation – Fund Accounting (continued)

Enterprise Funds

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individual, private organizations, other governmental units and/or other funds. The District's fiduciary funds include agency funds and an expendable trust fund. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i. e., expenditures and other financing uses) in net current assets.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. All governmental fund types and expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i. e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Accounting (continued)

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1998, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 1998 operations, have been recorded as deferred revenue.

The measure 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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The fair value of donated commodities are reported as revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

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

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearing are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Monroe County Budget Commission for rate determination.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 2 – Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Accounting (continued)

Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriations measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended Certificate issued for the fiscal year 1998.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures which are the legal levels of budgetary control. Prior to the passage of the annual appropriations measure, the Board may pass a temporary resolution to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commissions. Any revisions that alter the total of any fund appropriations or alter total functions appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures which appear in the statements of budgetary comparison represent the final appropriations by fund do not exceed the amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non – GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Equivalents (continued)

During fiscal year 1998, investments were limited to STAR Ohio.

State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1998.

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 1998 amounted to \$123,057 which includes \$-0- assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of 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 considered to be cash equivalents.

E. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998, the School District received a \$108,196 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "miscellaneous" revenue in the accompanying financial statements. A fund balance reserve has also been established.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated, purchased food and supplies and are expended when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1998 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.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of one hundred dollars.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 2 – Summary of Significant Accounting Policies (continued)

Fixed Assets and Depreciation (continued)

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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of ten years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivable and revenues when measurable and available. Reimbursement type grants are recorded as receivable and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

1. General Fund

State Foundation Program
School Bus Purchase
State Property Tax Relief

2. Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

1. Special Revenue Funds

Auxiliary Service
Title VIB
Title I
Drug Free Schools
Preschool Educational Management Information System
Professional Development
Adult Basic Education
Goals 2000 Intervention
Secondary Grant
Federal Grants

2. Capital Project funds

School Net Plus
Technology Equity

Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998

Note 2 – Summary of Significant Accounting Policies (continued)

I. Intergovernmental Revenues (Continued)

Reimbursable Grants

1. **General Fund**
Driver Education
2. **Special Revenue Funds**
Vocational Education Travel
3. **Capital Project Funds**
Vocational Education Equipment
4. **Proprietary Funds**
National School Breakfast Program
National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 50 percent of governmental fund revenue during the 1998 fiscal year.

J. Interfund Assets/Liabilities

Receivable and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to their funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivable" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation are attributable to services already rendered and it is probable that the School District 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 all 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 the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after eight years of current service with the District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long term obligations account group. In proprietary funds, the entire amount of compensated absence is reported as a fund liability.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 2 – Summary of Significant Accounting Policies (continued)

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations accounts group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year-end are considered not to have been paid with current available financial resources. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Interfund Transaction

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget stabilization, unclaimed monies and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the proprietary funds that are of subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. The School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal 1998. The exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified, as contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

P. 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 result may differ from those estimates.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 2 – Summary of Significant Accounting Policies (continued)

Q. Total Columns on General Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flow in conformity with generally accepted accounting principals. Neither is such data comparable to a consolidation. Interfund eliminations have both been made in the aggregation of this data.

Note 3 – Change in Accounting Principles

For the year ended June 30, 1998, the District has presented, for the first time, general purpose financial statements by fund type and account groups in accordance with generally accepted accounting principles. In conjunction with this presentation, the District has changed its basis of accounting from a cash basis to the modified accrual basis for its governmental, expendable trust and agency fund types and to the accrual basis for proprietary funds. This change required that certain adjustments be recorded to July 1, 1997, fund balance/retained earnings as previously reported to reflect the prior year's effect of adopting these new accounting principles.

The restatements to the opening fund balances/retained earnings are as follows:

	Previously Stated Balance At June 30, 1997	Adjustments	Restated Balance at July 1, 1997
Governmental Funds:			
General	\$ 105,650	\$(5,219,284)	\$(5,113,634)
Special Revenue	431,919	(103,316)	328,603
Debt Service	1,191	(1,191)	-0-
Capital Projects	199,383	(704,325)	(504,942)
Expendable Trust	39,732	-0-	39,732
Agency	54,278	(54,278)	-0-
Proprietary Funds:			
Enterprise	27,633	(427,638)	(427,638)

Note 4 – Accountability and Compliance

A. Fund Deficits

At June 30, 1998, the following funds had deficit fund balances/retained earnings, which were created by the application of generally accepted accounting principles.

General Fund	\$3,705,758
P.I. Levy Fund	\$ 168,313
Enterprise Fund:	
Lunchroom	\$ 450,494

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 4 – Accountability and Compliance (continued)

B. Compliance

The following funds has appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 1998, contrary to Ohio Revised Code Section 5705.39.

	Excess of Appropriations Over Estimated Resources
Special Revenue Funds:	
Public School Report	\$ 14,225
Athletic and Music	231,637
Auxiliary Services	104,006
Local Professional Development Block Grant	2,457
EMIS	1,961
DPIA	43,822
Textbook Subsidy	13,000
Miscellaneous State Grant	8,272
Adult Basic Education	10,804
Math and Science State Grant	43,013
Title VI-B	13,076
Title I	166,207
Preschool	1,305
Goals 2000	18,306
Capital Projects Funds:	
Permanent Improvement	201,523
SchoolNet Plus-FY 1997	71,380
ARC – Vocational Equipment	112,000
Enterprise Fund:	
Food Service	51,679

The following funds had disbursements in excess of appropriations for the fiscal year ended June 30, 1998, contrary to Ohio Revised Code Section 5705.41(B).

	Excess of Expenditures Over Appropriations
General Fund	\$1,259,620
Special Revenue Funds:	
EMIS	2,355
Textbook Subsidy	6,322
Vocational Education	83,536
Drug Free	16,959
Debt Service Funds:	
Bond Retirement	1,022,729
Capital Projects Funds:	
ARC – Vocational Equipment	26,299
Enterprise Funds:	
Adult Vocational Education	8,002

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 5 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity – Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type are 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statements (budget basis) rather than on the balance sheet transactions (GAAP basis).
5. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statement by fund type:

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 5 – Budgetary Basis of Accounting (Continued)

**Excess of Revenues and Other Financing Sources
Over (under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Funds**

	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$1,407,876	\$ 42,104	\$ -0-	\$ 336,629	\$ 390
Net Adjustment Revenue Accruals	(4,100,988)	14,938	3,218,389	(392,008)	-0-
Note Proceeds	3,420,110	-0-	-0-	-0-	-0-
Net Adjustment Expenditure Accruals	(326,668)	(9,752)	-0-	38,463	-0-
Debt Principal Payments	449,169	-0-	(3,964,000)	-0-	-0-
Interest and Fiscal	26,135	-0-	(80,419)	-0-	-0-
Net Adjustment Reserve for Advances	-0-	-0-	-0-	-0-	-0-
Transfers In	6,840	-0-	917,889	-0-	-0-
Transfers Out	(917,889)	-0-	(6,841)	-0-	-0-
Net Adjustment Encumbrances	(126,213)	(56,427)	-0-	(12,965)	-0-
Budget Basis	(\$ 161,628)	(\$ 9,137)	\$ 85,018	(\$ 29,881)	\$ 390

**Net Loss/Excess of Revenues Under Expenses and Operating Transfers
Proprietary Fund Type**

	Enterprise Fund
GAAP Basis	\$ 7,185
Operating Grants	(13,027)
Expense Accruals	54,911
Depreciation Expense	280
Encumbrances	(3,995)
Budget Basis	\$ 45,354

Note 6 – Deposits and Investments

State status classify monies held by the School District into three categories

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

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 6 – Deposits and Investments (continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits 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 deposits accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities;

1. United States treasury notes, bills, bonds, or any other obligation or securities 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 other obligations or securities 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 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 issuance of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (Star Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty five percent of the interim monies available for investment at any one time;

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. An investment must mature within five year from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 6 -- Deposits and Investments (continued)

During fiscal year 1998, the School District's investments were limited to a NOW account and STAR Ohio.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits

At year-end, the carrying amount of the District's cash and deposits was \$(83,455) and the bank balance was \$107,843. Of the bank balance \$100,000 was covered by federal depository insurance and the remaining \$7,843 was collateralized by the pledging financial institution in a collateral pool covering all public deposits.

Investments

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end.

Category 1 includes investments that are insured or registered or for which securities are held by the School District or its agent in the School District's name.

Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust departments or agent in the School District's name.

Category 3 includes uninsured and unregistered investments for which the securities held by the counterparty or by its trust department or agent but not in the School District's name.

The School District investments in Star Ohio, and investment pool operated by the Ohio State Treasurer are unclassified investment since they are not evidenced by securities that exists in physical or book energy form. The carry value and market value of the Star Ohio account at June 30, 1998 was \$1,450,746.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalent / Deposits	Investments
GASB Statement 9	\$ 1,367,291	\$ -0-
Investments:		
STAR OHIO	(1,450,746)	1,450,746
GASB Statement 3	\$(83,455)	\$1,450,746

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 7 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien dates. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty five percent of true value. The assessed values upon which the fiscal 1998 taxes were collected are:

	1997 Second Half Collections		1998 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential/Other Real Estate	\$140,389,150	49%	\$144,422,110	52%
Public Utility Personal	65,296,520	23%	57,184,990	20%
Tangible Personal Property	79,654,320	28%	77,350,633	28%
Total Assessed Valuation	\$285,339,900	100%	\$278,957,733	100%
Tax rate per \$1000 of assessed valuation	37.90		37.90	

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. Tangible personal property taxes paid 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.

The School District receives property taxes from Monroe County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1998 are available to finance fiscal year 1998 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1998 was \$1,684,156 and is recognized as revenue.

Note 8 – Receivables

Receivables at June 30, 1998, consisted of taxes, tuition, interfund and intergovernmental grants. 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. A summary of the principal items of intergovernmental receivable follows:

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 8 – Receivables(continued)

General Fund:	
State Foundation	\$ 906,825
MAPS Grant	1,748
OWA Monroe County	3,500
Other	<u>1,166</u>
Total General Fund	<u>\$ 913,239</u>
Special Revenue Fund:	
Adult Basic Education	\$ 4,245
Secondary Grant	<u>11,055</u>
Total Special Revenue Fund	<u>\$ 15,300</u>
Capital Projects Fund:	
Appalachian Regional Commission Vocational Equipment Grant	<u>\$ 42,000</u>
Total Capital Projects Funds	<u>\$ 42,000</u>
Enterprise Funds:	
National School Lunch Program	<u>\$ 46,863</u>
Total Enterprise Funds	<u>\$ 46,863</u>
Total Intergovernmental Receivables	<u>\$1,017,402</u>

Note 9 – Fixed Assets

A Summary of the enterprise funds' fixed assets at June 30, 1998 follows:

Furniture and Equipment	\$ 474,679
Less: accumulated depreciation	414,672
Net Fixed Assets	\$ 60,007

A summary of the change in general fixed assets during fiscal year 1998 follows:

	Balance 6/30/97	Additions	Deductions	Balance 6/30/98
Land and Improvements	\$ 852,851	\$4,035	\$ -0-	\$ 856,886
Buildings and Improvements	10,629,413	15,670	-0-	10,645,083
Furniture and Equipment	5,283,535	621,752	1,980	5,903,307
Vehicles	2,764,340	135,704	-0-	2,900,044
Textbooks and Library Books	1,335,059	-0-	-0-	1,335,059
Total General Fixed Assets	\$ 20,865,198	\$ 777,161	\$ 1,980	\$ 21,640,379

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 10 – Risk Management

1. 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 omission; injuries to employees; and natural disasters. For fiscal year 1998, the School District contracted with Indiana Insurance for property and general liability insurance. This is \$1,000 deductible with a one hundred percent blanket, all risk policy. Indiana Insurance covers the boiler and machinery with a \$1,000 deductible and a \$40,360,845 limit.

The Nationwide Insurance Company with a \$2,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible protects Professional liability. Vehicles are covered by Nationwide Insurance and hold a \$100 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

2. Workers' Compensation

For fiscal year 1998, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating (GRP), an insurance purchasing pool (Note 20). 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 district is calculated as one experience and a common premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shared equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 11 – Defined Benefit Pension Plans

School Employee Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998, 9.79 percent was the portion used to fund pension obligations. The School District's required contributions for pension obligation to SERS for the fiscal years ended June 30, 1998, 1997, and 1996 were \$216,539, \$230,504 and \$162,566 respectively; 47.9 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996.

\$112,742 representing the unpaid contribution for fiscal year 1998 is recorded as a liability within the respected funds and the general long-term obligations account group.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 11 – Defined Benefit Pension Plans (continued)

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teacher Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal year ended June 30, 1998, 1997 and 1996 were \$886,631, \$942,943 and \$792,281 respectively; 87.9 percent has been contributed for fiscal year 1998 and 100 percent for fiscal years 1997 and 1996.

\$107,273 representing the unpaid contribution for fiscal year 1998 is recorded as a liability within the respective funds.

Social Security System

Social Security System effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or School Employees Retirement System/State Teachers Retirement System. As of June 30, 1998, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 – Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 obligation 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$295,544 during fiscal year 1998.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. For the year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000 and STRS had 88,718 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 12 – Postemployment Benefits (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll, an increase from 3.5 percent for fiscal year 1997. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1997, were \$97,429,197 and the target level was \$121.8 million. At June 30, 1997 SERS had net assets available for payment of health care benefits of \$146.4 million. SERS has approximately 48,200 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$127,103 during fiscal year 1998.

Note 13 – Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time. Teachers, administrative and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulated is limited to 240 days. Upon retirement, payment is made for twenty five percent of the total sick leave accumulation, up to a maximum accumulation of 55 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees. Coverage in the amount of \$25,000 is provided for all certified and non-certified employees. Administrators have coverage of twice the salary amount with a maximum of \$100,000.

The School District has contracted with Anthem Blue Cross Insurance to provide employee medical/surgical, and dental benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for medical /surgical benefits. For fiscal year 1998, the School District's and the employees' premiums for medical/surgical benefits for the staff were \$483 and \$54 for family coverage and \$173 and \$19 for single coverage per employee per month, respectively. The premium for dental coverage was funded entirely by the School District at \$38 and \$14 per employee per month for family and single coverage, respectively.

C. Deferred Compensation

School District employees participate in a statewide deferred compensation plan that was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

All property rights purchased with the amounts of compensation deferred under the plan and deposited with the program, and all income attributable to the amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the School District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the School District's general creditors. Participants' rights under the plan are equal to those of general creditors of the School District in an amount equal to the fair market value of the deferred account for each participant. The plan agreement states that the School District and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 13 – Other Employee Benefits (continued)

C. Deferred Compensation (continued)

An agency fund has been established to account for these monies as prescribed by Governmental Accounting Standards Board Statement No. 2 "Financial Reporting of Deferred Compensation Plans Adopted Under the Provisions of Internal Revenue Code Section 457." As of June 30, 1998, the amount on deposit with the Ohio Public Employees Deferred Compensation Board was \$1,356,292, valued at market.

Note 14 – Long-term Obligations

The changes in the District's long-term obligations during fiscal year 1998 were as follows:

	Outstanding 06/30/97	Additions	Reductions	Outstanding 06/30/98
Compensated Absences	\$ 1,744,494	\$ 162,003	\$ 320,920	\$ 1,585,577
Capital Lease Payable	244,269	23,674	209,169	58,774
Tax Refund Payable	1,834,514	-0-	319,942	1,514,572
Early Retirement Incentive	28,742	-0-	28,742	-0-
Long-term Pension Liability	141,414	118,576	141,414	118,576
Total Long-term Obligations	\$ 3,993,433	\$ 304,253	\$ 1,020,187	\$ 3,277,499

Compensated absences, early retirement incentive and long-term pension obligations will be paid from the fund, which the employee's salaries are paid. Capital leases are paid from the general fund.

Based on a March 26, 1997 decision by the Ohio State Supreme Court, the District is required to refund to Texas Eastern Transmission Corporation public utility property taxes collected for the 1991 through 1996 tax years. The liability will be paid from the General Fund through reductions in tax settlements. No interest will be charged on the liability for the 1992 through 1996 tax years.

Requirements to retire the Tax Refund obligation at June 30, 1998, are as follows:

Fiscal Year Ending June 30,	Requirement
1999	\$ 347,360
2000	304,711
2001	360,397
2002	348,436
2003	153,668
Total	\$ 1,514,572

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 15 – Short-term Obligations

Debt outstanding at June 30, 1998 consisted of the following:

Issue	Interest Rate	Maturity Date	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
Energy Conservation Notes	5.50%	12/01/03	\$ 810,000	\$ -0-	\$ 135,000	\$ 675,000
State Operating Loan	6.08%	12/01/00	\$1,549,000	\$ -0-	\$ 489,000	\$1,060,000
State Operating Loan	5.50%	06/01/99	\$ 618,000	\$ -0-	\$ 301,000	\$ 317,000
State Operating Loan	4.88%	06/01/00	\$ -0-	\$ 1,128,000	\$ -0-	\$1,128,000
Tax Anticipation Note	4.80%	12/01/00	\$ 555,000	\$ -0-	\$ 130,000	\$ 425,000
Tax Anticipation Note	4.23%	12/01/97	\$1,454,000	\$ -0-	\$1,454,000	\$ -0-
Tax Anticipation Note	4.55%	12/01/98	\$ -0-	\$ 1,317,000	\$ -0-	\$1,317,000
Permanent Improvement Note	4.80%	12/01/99	\$ 800,000	\$ -0-	\$ 240,000	\$ 560,000
Tax Anticipation Note	4.42%	07/10/97	\$ -0-	\$ 975,000	\$ 975,000	\$ -0-
Total			\$ 5,786,000	\$ 3,420,000	\$3,724,000	\$5,482,000

All current obligation notes outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the School District for which the full faith and credit of the School District is pledge for repayment. Payment of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund on the budget basis and in the General Fund and Capital Project Fund on a GAAP basis.

A summary of the District's future amortization of debt funding requirements as of June 30, 1998 follows:

Year Ending June 30	Principal	Interest	Total
1999	\$3,237,000	\$ 284,652	\$3,521,652
2000	\$1,690,000	\$ 106,329	\$1,796,329
2001	\$ 285,000	\$ 22,163	\$ 307,163
2002	\$ 135,000	\$ 11,138	\$ 146,138
2003	\$ 135,000	\$ 3,713	\$ 138,713
2004	\$ -0-	\$ -0-	\$ -0-

**Switzerland of Ohio Local School District
 Monroe County, Ohio
 Notes to the General Purpose Financial Statements
 For the Year Ended June 30, 1998**

Note 16 – Capital Leases – Lessee Disclosure

The School District has capitalized leases for telephone equipment and classroom modulars. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statement for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. General fixed assets consisting of equipment and classroom modulars have been capitalized in the general fixed assets account group in the amount of \$723,384. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year total \$149,736 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1998.

Fiscal Year Ending June 30	GLTOAG
1999	\$ 43,456
2000	7,996
2001	7,996
2002	7,996
<u>2003</u>	<u>7,996</u>
Total	\$ 75,440
Less: Amount Representing Interest	<u>(\$ 16,666)</u>
Present Value of net Minimum Lease Payments	<u>\$ 58,774</u>

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 17 – Segment Information for Enterprise Fund

The School District maintains three enterprise funds to account for the operations of food service, rotary, and adult vocational education. The table below reflects in a summarized format the more significant financial data relating to the enterprise fund of the School District as of and for the fiscal year ended June 30, 1998.

	Food Service	Rotary	Adult Vocational	Total
Operating Revenues	\$ 278,245	\$ 48,183	\$ 6,394	\$332,822
Operating Expense Less Depreciation	772,963	38,096	12,018	823,077
Depreciation Expense	280	-0-	-0-	280
Operating Income (Loss)	(494,998)	10,087	(5,624)	(490,535)
Donated Commodities	58,260	-0-	-0-	58,260
Operating Grants	439,384	-0-	-0-	439,384
Operating Transfers	-0-	76	-0-	76
Net Income (Loss)	(2,646)	10,163	-0-	7,185
Fixed Asset Additions	8,626	-0-	-0-	8,626
Net Working Capital	46,340	30,015	27	76,382
Total Assets	168,763	30,091	2,569	201,423
Long-term Compensated Absences Payable	38,818	-0-	-0-	38,818
Total Equity	67,529	30,015	27	97,571
Encumbrances at June 30, 1998	\$ 3,594	\$ 401	\$ -0-	\$ 3,995

Note 18 – Year 2000

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations as early as fiscal year 1999.

The School District is completing an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Educational Management and Information System (EMIS)). The District has fourteen buildings with power, heating and air conditioning systems, which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform Accounting System software for its financial reporting, and payroll and employee benefits. The State of Ohio is responsible for remediating this system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

The School District contracts with Johnson Controls, Inc. for its heating and air-conditioning systems. Johnson Controls, Inc. has stated that the Metasys Companion product family is year 2000 compliant at all revision levels.

In the continuing effort to assess all computer equipment, other areas may be found and, if so, changes will be made in those systems. The School District anticipates that all costs will be handled through departmental and or building appropriations.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 18 – Year 2000 (Continued)

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

Note 19 – Jointly Governed Organization

The Southeast Ohio Voluntary Educational Consortium (SEOVEC), was created as a regional council of governments pursuant to Statute statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

Note 20 – Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association 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 OSBA. The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 21 – State School Funding Decision

One March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portion of the Ohio school-funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support of this District. During the fiscal year ended June 30, 1998, the District received \$6,579,187 of school foundation support.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. During fiscal year 1995, the District borrowed \$1,549,000 under this program; the final payment of this note will be made in fiscal year 2000. During fiscal year 1997, the District had borrowed \$618,000 under this program; the final payment of this note will be made in fiscal year 1999. During fiscal year 1998, the District borrowed \$1,128,000 under this program; the final payment of this note will be made in fiscal year 2000. The terms of the debt are further described in Note 15 to these financial statements.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the District to borrow against amounts anticipated to be collected from tangible personal property taxes after the District's June 30 fiscal year end. During the fiscal year ended June 30, 1998, the District borrowed \$1,317,000 under this program. This amount will be repaid in the subsequent fiscal year. The District repaid \$2,559,000 borrowed in previous fiscal years. Historically, the District has relied on this borrowing to meet their cash flow needs at the end of each fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 21 – State School Funding Decision (Continued)

Since the Supreme Court ruling, numerous pieces of legislation has been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined that they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of September 23, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

Note 22 – Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally required 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, 1998.

C. Litigation

The District is currently involved with a lawsuit by a former administrator for reinstatement. In the suit, the former administrator also makes claim for payment of accrued vacation leave. The Monroe County Board of Appeals has ruled in favor of the Board of Education on matter of reinstatement and this ruling has been appealed to the Ohio Supreme Court. It is not deemed probable that the Board of Education will receive an unfavorable ruling from the Ohio Supreme Court. However, it is likely that the Board of Education will remit payment for the accrued vacation leave. The total cost of the accrued vacation leave is less than \$6,000.

Note 23 – Going Concern Considerations

Switzerland of Ohio Local School District is in a state of "fiscal emergency" since the school district board failed to submit a recovery plan acceptable to the state superintendent of public instruction with 120 days of being declared in a fiscal watch. The District was declared to be in fiscal watch on November 27, 1996. The plan submitted by the District on March 26, 1997 was rejected by the state superintendent of public instruction and the District was placed in fiscal emergency on June 9, 1998. Upon the declaration of a fiscal emergency in a school district, a financial planning and supervision commission is to be established to govern the district. (See Note 1)

**Switzerland of Ohio Local School District
Monroe County, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1998**

Note 23 – Going Concern Considerations (continued)

In addition to the District being in fiscal emergency, the following conditions or events are of concern:

The District's debt balance at June 30, 1998 was \$5,482,000 and the debt balance at September 23, 1999 was \$4,807,727.

The District is repaying Texas Eastern for public utility property taxes paid in 1991 through 1996 tax years, the District still owes a tax refund of \$1,514,572 with annual amounts being reduced from tax settlements. Columbia Gas has challenged their public utility property taxes paid across the State, if Columbia Gas wins their lawsuit, it will create additional tax liability for the District;

At June 30, 1998, the District had the following operating dept: three emergency school assistance loans for a total of \$2,505,000 and two spending reserve borrowing notes (tax anticipation notes) for a total of \$1,742,000;

The District has failed in its recent attempts to pass an operating levy;

The District is currently in negotiations with the teacher's union;

Monroe County had a reappraisal in 1998, the new valuations reflect the County having a declining tax base. For tax year 2000, the District will lose tax revenues from the shutdown of a Consolidated Coal Company mine; and

The District's staffing is at State minimum requirements therefore limiting the District's ability to cut costs.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1998**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$59,511		\$58,260
School Breakfast Program		10.553	70,846		70,846	
National School Lunch Program		10.555	379,245		379,245	
Total U.S. Department of Agriculture - Nutrition Cluster			450,091	59,511	450,091	58,260
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	048652-6B-SF-97 048652-6B-SF-98	84.027			14,880 124,922	
Total Education Grants to States			159,480		139,802	
Special Education - Preschool Grant	048652-PG-S1-97 048652-PG-S1-98	84.173			1,480 480	
Total Preschool Grants			3,458		1,960	
Total Special Education Cluster			162,938		141,762	
Adult Education- State Grant Program	048652-AB-S1-97 048652-AB-S1-98	84.002			13,434 32,935	
Total Adult Education Grants			38,630		46,369	
Goals 2000	048652-G2-S1-96 048652-G2-S1-97	84.276			18,306 23,847	
Total Goals 2000					42,153	
Grants to Local Educational Agencies (ESEA Title I)	048652-C1-S1-96C 048652-C1-S1-97C 048652-C1-S1-98	84.010	909,989		595,792 436,416 1,298	
Total Title I Grants			909,989		1,033,506	
Innovative Educational Program Strategies	048652-C2-S1-96 048652-C2-S1-97 048652-C2-S1-98	84.298			192 1,366 15,127	
Total Innovative Educational Program Strategies Grants			17,396		16,685	
Drug-Free Schools Grant	048652-DR-S1-97 048652-DR-S1-98	84.186			2,523 16,959	
Total Drug-Free School Grants			17,485		19,482	
Dwight D. Eisenhower Mathematic and Science	048652-MS-S1-96 048652-MS-S1-97C 048652-MS-S1-97 048652-MS-S1-98	84.281			3,139 4,321 19,827 8,771	
Total Dwight D. Eisenhower Mathematic and Science			41,674		36,058	
Vocational Education-Basic Grants to the State	048652-CP-15-97 048652-CP-15-98	84.048	9,477		16,315 62,643	
Total Vocational Education-Basic Grants			72,120		78,958	
Total U.S. Department of Education			1,260,232		1,414,973	
APPALACHIAN REGIONAL COMMISSION						
<i>Passed Through Ohio Department of Education:</i>						
Appalachian Vocational and Other Education Facilities and Operations	048652-V012B70018	23.012B	59,562		59,562	
Total Appalachian Regional Commission			59,562		59,562	
Total Federal Awards Receipts and Expenditures			\$1,769,885	\$59,511	\$1,924,626	\$58,260

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1998**

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 DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1998, the School District had food commodities valued at \$3,123 in inventory.

NOTE C -- NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAMS

Federal monies are commingled with total food service funds. It is assumed federal monies are expended first.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the general-purpose financial statements of Switzerland of Ohio Local School District, Monroe County, Ohio, (the School District) as of and for the year ended June 30, 1998, and have issued our report thereon dated December 7, 1999, which contained an explanatory paragraph regarding the adoption of generally accepted accounting principles and expressed substantial doubt about the School District's ability to continue as a going concern. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-11056-001 and 1998-11056-002. We also noted an immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated December 7, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated December 7, 1999.

Switzerland of Ohio Local School District
Monroe County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

December 7, 1999



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
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 are applicable to its major federal program for the year ended June 30, 1998. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of District's management. 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 generally accepted auditing standards; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Switzerland of Ohio Local School District
Monroe County
Report of Independent Accountants on Compliance With Requirements
Applicable to Each Major Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

December 7, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FOR THE YEAR ENDED JUNE 30, 1998

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster - CFDA #10.550, 10.553, 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

Finding Number	1998-11056-001
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Ohio Rev. Code Section 5705.39, states, in part that the total appropriation from each fund should not exceed the total estimated revenue.

Appropriations exceeded estimated revenue in the following funds:

	Excess of Appropriations Over Estimated Resources
Special Revenue Funds:	
Public School Support	\$ 14,225
Athletic and Music	231,637
Auxiliary Services	104,006
Local Professional Development Block Grant	2,457
EMIS	1,961
DPIA	43,822
Textbook Subsidy	13,000
Miscellaneous State Grants	8,272
Adult Basic Education	10,804
Math and Science State Grant	43,013
Title VI-B	13,076
Title I	166,207
Preschool	1,305
Goals 2000	18,306
Capital Projects Funds:	
Permanent Improvement	201,523
SchoolNet Plus - FY1997	71,380
ARC - Vocational Equipment	112,000
Enterprise Fund:	
Food Service	51,679

We recommend the School District Treasurer amend the certificate of estimated resources or reduce total appropriations with the Board of Education and County Budget Commission whenever appropriations exceed certified resources.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**FOR THE YEAR ENDED JUNE 30, 1998
(Continued)**

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

(Continued)

Finding Number	1998-11056-002
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Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations in the following funds:

	Excess of Expenditures Over Appropriations
General Fund	\$1,259,620
Special Revenue Funds:	
EMIS	\$ 2,355
Textbook Subsidy	6,322
Vocational Education	83,536
Drug Free	16,959
Debt Service Funds:	
Bond Retirement	1,022,729
Capital Projects Funds:	
ARC - Vocational Equipment	26,299
Enterprise Fund:	
Adult Vocational Education	8,002

We recommend the School District Treasurer modify appropriations with the Board of Education and County Budget Commission, if resources are available. If sufficient resources are not available to support increased appropriations, the Treasurer should not certify purchases that exceed appropriations.

3. FINDINGS FOR FEDERAL AWARDS

None.

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**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

FOR THE YEAR ENDED JUNE 30, 1998

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1998-11056-001	The School District Treasurer will amend the certificate of estimated resources or modify total appropriations with the Board of Education and County Budget Commission when expenditures exceed certified resources in a more timely manner.	June 30, 2000	Kevin Robertson, Treasurer
1998-11056-002	The School District Treasurer will modify appropriations with the Board of Education and County Budget Commission when expenditures exceed disbursements in a more timely manner.	June 30, 2000	Kevin Robertson, Treasurer



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-441-1389

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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: FEB 08 2000