



**Auditor of State
Betty Montgomery**

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Switzerland of Ohio Local School District, Monroe County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 31, 2006

Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of the Switzerland of Ohio Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2005 are as follows:

- In total, net assets of governmental activities decreased \$979,377.
- General revenues accounted for \$19,629,553 in revenue or 80.9 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,637,135 or 19.1 percent of total revenues of \$24,266,688.
- Total assets of governmental activities decreased by \$13,057. The minimal decrease is mostly attributable to cash and cash equivalents decreasing by \$562,006 offset by property taxes receivable increasing by \$637,034.
- The School District had \$25,246,065 in expenses related to governmental activities; only \$4,637,135 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental revenues) of \$19,629,553 were not adequate enough to provide for these programs.
- The School District's major funds are the General Fund and Permanent Improvement Capital Projects Fund. The General Fund had \$19,256,973 in revenues and \$20,361,456 in expenditures. The General Fund's balance decreased \$1,169,585. The Permanent Improvement Capital Projects Fund had revenues of \$658,015 and \$243,083 in expenditures, while the fund balance increased by \$414,932 during fiscal year 2005.

Using this Basic Financial Statements Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Switzerland of Ohio Local School District, the General Fund and the Permanent Improvement Capital Projects Fund are the only major funds.

Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2004-2005 fiscal year?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, extracurricular activities, and debt service.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

Table I
Net Assets

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Current and Other Assets	\$12,037,431	\$12,003,474
Capital Assets	<u>8,321,154</u>	<u>8,368,168</u>
Total Assets	<u>20,358,585</u>	<u>20,371,642</u>
Liabilities		
Long-Term Liabilities	(2,053,190)	(1,912,372)
Other Liabilities	<u>(9,762,846)</u>	<u>(8,937,344)</u>
Total Liabilities	<u>(11,816,036)</u>	<u>(10,849,716)</u>
Net Assets		
Invested in Capital Assets, Net of Debt	8,318,116	8,362,326
Restricted	1,006,389	833,224
Unrestricted	<u>(781,956)</u>	<u>326,376</u>
Total Net Assets	<u><u>\$8,542,549</u></u>	<u><u>\$9,521,926</u></u>

Total assets decreased \$13,057. As stated earlier, cash and cash equivalents decreased while property taxes receivable increased from the prior year. Also there was an decrease in the net value of capital assets of \$47,014 resulting from current year depreciation exceeding additions.

In total, liabilities increased by \$966,320 largely the result of deferred revenue increasing by \$579,703. This increase is attributable to the increase in property and other local taxes receivable and the timing of grant revenue not intended to finance current year operations. Also, accrued wages and intergovernmental payables increased by \$281,189 from fiscal year 2004.

Net assets decreased \$979,377. The biggest change is in unrestricted net assets, which shows a decrease of \$1,108,332. The decrease in the General Fund's balance of \$1,169,585 is largely attributable to this overall decrease.

Table 2 shows the changes in net assets for fiscal year 2005.

Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities	
	2005	2004
Revenues		
Program Revenues		
Charges for Services and Sales	\$763,943	\$783,845
Operating Grants, Contributions, and Interest	3,792,157	4,525,055
Capital Grants and Contributions	81,035	55,019
	<u>4,637,135</u>	<u>5,363,919</u>
General Revenue		
Property Taxes	8,067,112	7,571,039
Grants and Entitlements	11,053,616	9,754,452
Investment Earnings	84,587	59,303
Miscellaneous	424,238	278,168
	<u>19,629,553</u>	<u>17,662,962</u>
Total Revenues	<u>24,266,688</u>	<u>23,026,881</u>
Program Expenses		
Instruction		
Regular	9,327,073	9,522,893
Special	2,564,214	2,532,855
Vocational	2,265,680	2,060,058
Adult/Continuing	28,164	38,275
Support Services		
Pupils	881,740	757,726
Instructional Staff	1,226,493	1,073,001
Board of Education	25,278	18,141
Administration	1,938,301	1,719,947
Fiscal	718,025	568,911
Operation and Maintenance of Plant	2,021,294	1,783,824
Pupil Transportation	2,473,540	2,418,168
Central	67,219	79,385
Operation of Non-Instructional Services	1,142,222	986,783
Extracurricular Activities	566,456	591,878
Interest	366	1,994
Total Expenses	<u>25,246,065</u>	<u>24,153,839</u>
Decrease in Net Assets	<u>(\$979,377)</u>	<u>(\$1,126,958)</u>

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 33.2 percent of revenues for governmental activities for Switzerland of Ohio Local School District in fiscal year 2005.

Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Despite the School District receiving additional short-term revenues from the passage of House Bill 95, the School District operates on a very tight budget, revenue sources are not projected to keep pace with inflation, creating possible operating deficits in the future. Enrollment is also a factor in the finances of the School District, with enrollment declining in all but one of the last thirty years. In addition, the School District had a net loss of approximately \$465,205 in open enrollment in fiscal year 2005, which represents approximately \$235,022 in local tax dollars going to other school districts.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2005 compared to fiscal year 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	2005 Total Cost of Services	2005 Net Cost of Services	2004 Total Cost of Services	2004 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$9,327,073	\$8,955,795	\$9,522,893	\$8,531,988
Special	2,564,214	956,012	2,532,855	756,701
Vocational	2,265,680	1,841,971	2,060,058	1,705,606
Adult/Continuing	28,164	3,377	38,275	5,316
Support Services:				
Pupils	881,740	773,738	757,726	620,083
Instructional Staff	1,226,493	633,564	1,073,001	591,227
Board of Education	25,278	25,278	18,141	18,141
Administration	1,938,301	1,859,990	1,719,947	1,648,085
Fiscal	718,025	718,025	568,911	567,873
Operation and Maintenance of Plant	2,021,294	2,009,007	1,783,824	1,770,028
Pupil Transportation	2,473,540	2,326,966	2,418,168	2,242,540
Central	67,219	58,260	79,385	19,088
Operation of Non-Instructional Services	1,142,222	169,547	986,783	42,303
Extracurricular Activities	566,456	277,034	591,878	268,947
Interest	366	366	1,994	1,994
Totals	\$25,246,065	\$20,608,930	\$24,153,839	\$18,789,920

Instructional programs comprise approximately 56.2 percent of total governmental program expenses. Of the instructional expenses, approximately 65.8 percent is for regular instruction, 18.1 percent for special instruction, and 16.1 percent for vocational and adult/continuing instructions.

The dependence upon tax revenues and state subsidies for governmental activities is apparent, with 77.8 percent of the School District's activities being supported through taxes and other general revenues.

Switzerland of Ohio Local School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

The School District Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,260,111 and expenditures of \$25,099,624. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$1,169,585. The change in the remaining governmental funds is reflecting an increase of \$330,072.

Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2005, the School District amended its General Fund appropriations, but not significantly.

For the General Fund, budget basis revenues were \$107,317 above final estimates of \$19,101,151. This is a result of very conservative and precise estimates based on the County Auditor's Certification and state funding estimates.

The School District's ending un-obligated general fund balance was \$1,661,692.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$8,321,154 invested in land, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	<u>Government Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$678,604	\$678,604
Buildings and Improvements	4,956,737	5,041,536
Furniture and Equipment	1,115,534	1,099,766
Vehicles	<u>1,570,279</u>	<u>1,548,262</u>
Totals	<u><u>\$8,321,154</u></u>	<u><u>\$8,368,168</u></u>

See Note 9 for more detailed information of the School District's capital assets.

Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Debt

The School District had a capital lease outstanding at June 30, 2005 in the amount of \$3,038 with this entire amount due within one year. See Note 16 for more detailed information about the School District's debt.

Set-asides

For fiscal year 2005, Ohio Law required school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2005, this amounted to \$406,182 for each set aside. For fiscal year 2005, the School District had qualifying disbursements or offsets exceeding the \$406,182 requirement for textbooks and capital maintenance. See Note 20 for additional information about the School District's set-asides.

Economic Factors

Switzerland of Ohio Local School District ended fiscal year 2005 with a positive cash flow. Currently we are fiscally healthy but there are some uncontrollable variables that will affect future revenues. Some of these include the elimination of the three year averaging for ADM, accelerated phase out of personal property tax on inventory, state deduction for fees from rollback and homestead funds, reduction of bus subsidy and the exodus of students to other school districts through open enrollment due to our financial inability to offer educational facilities that are comparable to surrounding school districts who the State of Ohio funds at a higher level for facilities.

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

Contacting the School District's Financial Management

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

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Switzerland of Ohio Local School District, Ohio

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,299,523
Accounts Receivable	7,383
Intergovernmental Receivable	45,976
Materials and Supplies Inventory	1,384
Inventory Held for Resale	5,776
Prepaid Items	72,669
Property Taxes Receivable	8,604,720
Nondepreciable Capital Assets	678,604
Depreciable Capital Assets, Net	7,642,550
Total Assets	<u>20,358,585</u>
Liabilities	
Accounts Payable	204,964
Accrued Wages and Benefits Payable	2,157,863
Intergovernmental Payable	620,670
Matured Compensated Absences Payable	21,484
Special Termination Benefits Payable	14,414
Deferred Revenue	6,743,451
Long-Term Liabilities:	
Due Within One Year	221,156
Due In More Than One Year	1,832,034
Total Liabilities	<u>11,816,036</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	8,318,116
Restricted for:	
Capital Projects	770,892
Other Purposes	127,301
Budget Stabilization	108,196
Unrestricted	(781,956)
Total Net Assets	<u><u>\$8,542,549</u></u>

See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net Expense and Change in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$9,327,073	\$52,968	\$294,475	\$23,835	(\$8,955,795)
Special	2,564,214		1,608,202		(956,012)
Vocational	2,265,680	84,093	339,616		(1,841,971)
Adult/Continuing	28,164		24,787		(3,377)
Support Services:					
Pupils	881,740		108,002		(773,738)
Instructional Staff	1,226,493		592,929		(633,564)
Board of Education	25,278				(25,278)
Administration	1,938,301		78,311		(1,859,990)
Fiscal	718,025				(718,025)
Operation and Maintenance of Plant	2,021,294	270	12,017		(2,009,007)
Pupil Transportation	2,473,540		89,374	57,200	(2,326,966)
Central	67,219		8,959		(58,260)
Operation of Non-Instructional Services	1,142,222	337,190	635,485		(169,547)
Extracurricular Activities	566,456	289,422			(277,034)
Interest	366				(366)
Total Governmental Activities	<u>\$25,246,065</u>	<u>\$763,943</u>	<u>\$3,792,157</u>	<u>\$81,035</u>	<u>(20,608,930)</u>
General Revenues					
Property Taxes Levied for:					
					7,484,558
					582,554
					11,053,616
					84,587
					424,238
					<u>19,629,553</u>
					(979,377)
					<u>9,521,926</u>
					<u><u>\$8,542,549</u></u>

See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District, Ohio

Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,926,467	\$693,991	\$570,869	\$3,191,327
Materials and Supplies Inventory			1,384	1,384
Inventory Held for Resale			5,776	5,776
Accounts Receivable	6,471		912	7,383
Interfund Receivable	21,704			21,704
Intergovernmental Receivable	2,562		43,414	45,976
Prepaid Items	72,669			72,669
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	108,196			108,196
Property Taxes Receivable	7,972,760	631,960		8,604,720
Total Assets	<u>\$10,110,829</u>	<u>\$1,325,951</u>	<u>\$622,355</u>	<u>\$12,059,135</u>
Liabilities				
Accounts Payable	\$125,271	\$59,060	\$20,633	\$204,964
Accrued Wages and Benefits Payable	1,793,299		364,564	2,157,863
Interfund Payable			21,704	21,704
Intergovernmental Payable	542,888		77,782	620,670
Matured Compensated Absences Payable	21,484			21,484
Special Termination Benefits Payable	14,414			14,414
Deferred Revenue	6,615,596	525,297	23,990	7,164,883
Total Liabilities	<u>9,112,952</u>	<u>584,357</u>	<u>508,673</u>	<u>10,205,982</u>
Fund Balances				
Reserved for Encumbrances	193,441	474,930	63,849	732,220
Reserved for Unclaimed Monies	2,302			2,302
Reserved for Budget Stabilization	108,196			108,196
Reserved for Property Taxes	1,357,164	106,663		1,463,827
Unreserved:				
Undesignated, Reported in:				
General Fund	(663,226)			(663,226)
Special Revenue Funds			49,833	49,833
Capital Projects Funds		160,001		160,001
Total Fund Balances	<u>997,877</u>	<u>741,594</u>	<u>113,682</u>	<u>1,853,153</u>
Total Liabilities and Fund Balances	<u>\$10,110,829</u>	<u>\$1,325,951</u>	<u>\$622,355</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,321,154
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	397,442	
Grants	23,990	421,432

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(2,050,152)	
Capital Leases	(3,038)	(2,053,190)

Net Assets of Governmental Activities		<u>\$8,542,549</u>
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See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,470,826	\$582,367		\$8,053,193
Intergovernmental	11,267,928	75,638	3,590,584	14,934,150
Interest	84,056		531	84,587
Tuition and Fees	52,968		35,495	88,463
Extracurricular Activities			253,927	253,927
Rentals	270			270
Charges for Services			421,283	421,283
Miscellaneous	380,925	10	43,303	424,238
Total Revenues	<u>19,256,973</u>	<u>658,015</u>	<u>4,345,123</u>	<u>24,260,111</u>
Expenditures				
Current:				
Instruction:				
Regular	8,171,902	4,726	950,585	9,127,213
Special	1,528,440		1,037,929	2,566,369
Vocational	2,108,165	8,756	82,957	2,199,878
Adult/Continuing			27,594	27,594
Support Services:				
Pupils	686,056		178,513	864,569
Instructional Staff	621,669		586,069	1,207,738
Board of Education	25,423			25,423
Administration	1,823,222		76,647	1,899,869
Fiscal	678,085	27,123		705,208
Operation and Maintenance of Plant	1,966,755	42,514	10,968	2,020,237
Pupil Transportation	2,412,645	65,357	31,043	2,509,045
Central	280		79,762	80,042
Operation of Non-Instructional Services			1,124,681	1,124,681
Extracurricular Activities	261,712		308,337	570,049
Capital Outlay	73,932	94,607		168,539
Debt Service:				
Principal Retirement	2,804			2,804
Interest and Fiscal Charges	366			366
Total Expenditures	<u>20,361,456</u>	<u>243,083</u>	<u>4,495,085</u>	<u>25,099,624</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,104,483)</u>	<u>414,932</u>	<u>(149,962)</u>	<u>(839,513)</u>
Other Financing Sources (Uses)				
Transfers In			67,102	67,102
Transfers Out	(65,102)		(2,000)	(67,102)
Total Other Financing Sources (Uses)	<u>(65,102)</u>	<u>0</u>	<u>65,102</u>	<u>0</u>
Net Change in Fund Balances	(1,169,585)	414,932	(84,860)	(839,513)
Fund Balances Beginning of Year	<u>2,167,462</u>	<u>326,662</u>	<u>198,542</u>	<u>2,692,666</u>
Fund Balances End of Year	<u>\$997,877</u>	<u>\$741,594</u>	<u>\$113,682</u>	<u>\$1,853,153</u>

See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District, Ohio
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds (\$839,513)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

	Fixed Asset Additions	421,325	
	Current Year Depreciation	<u>(466,004)</u>	(44,679)

Governmental funds only report the disposal of capital assets to the extent proceeds are received. In the statement of activities, a loss has been reported which represents the net carrying value of the assets since no amount was received from the disposal.

(2,335)

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

	Property Taxes	13,919	
	Grants	<u>(7,342)</u>	6,577

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

	Compensated Absences	(143,622)	
	Capital Leases Payable	2,804	
	Pension Obligation	<u>41,391</u>	<u>(99,427)</u>

Change in Net Assets of Governmental Activities (\$979,377)

See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,518,904	\$7,386,019	\$7,427,071	\$41,052
Intergovernmental	11,319,490	11,246,604	11,265,366	18,762
Interest	58,478	64,478	84,037	19,559
Tuition and Fees	61,884	52,165	52,569	404
Rentals	500	220	270	50
Miscellaneous	230,424	351,665	379,155	27,490
Total Revenues	19,189,680	19,101,151	19,208,468	107,317
Expenditures				
Current:				
Instruction:				
Regular	8,370,027	8,454,632	8,348,918	105,714
Special	1,850,573	1,715,447	1,555,527	159,920
Vocational	2,094,770	2,090,795	2,134,147	(43,352)
Support Services:				
Pupils	630,363	684,873	682,428	2,445
Instructional Staff	544,138	605,896	597,026	8,870
Board of Education	25,470	31,575	32,406	(831)
Administration	1,704,987	1,807,349	1,813,597	(6,248)
Fiscal	645,087	729,974	668,954	61,020
Operation and Maintenance of Plant	2,053,179	2,074,357	1,988,178	86,179
Pupil Transportation	2,248,271	2,452,806	2,375,397	77,409
Central	44,205	12,190	280	11,910
Extracurricular Activities	286,907	280,317	261,715	18,602
Capital Outlay	43,980	74,015	73,932	83
Debt Service:				
Principal Retirement	2,955	2,804	2,804	0
Interest and Fiscal Charges	386	366	366	0
Total Expenditures	20,545,298	21,017,396	20,535,675	481,721
Excess of Revenues Over (Under) Expenditures	(1,355,618)	(1,916,245)	(1,327,207)	589,038
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	5,000	3,150	3,155	5
Advances In	43,055	43,055	43,055	0
Other Financing Uses		(1,000)		1,000
Advances Out	(103,505)	(100,000)	(21,704)	78,296
Transfers Out	(101,168)	(75,000)	(65,102)	9,898
Total Other Financing Sources (Uses)	(156,618)	(129,795)	(40,596)	89,199
Net Change in Fund Balance	(1,512,236)	(2,046,040)	(1,367,803)	678,237
Fund Balance Beginning of Year	2,805,637	2,805,637	2,805,637	0
Prior Year Encumbrances Appropriated	223,858	223,858	223,858	0
Fund Balance End of Year	\$1,517,259	\$983,455	\$1,661,692	\$678,237

See accompanying notes to the basic financial statements.

Switzerland of Ohio Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$81,032</u></u>
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Liabilities

Undistributed Monies	\$1,725
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Due to Students	<u>79,307</u>
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Total Liabilities	<u><u>\$81,032</u></u>
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See accompanying notes to the basic financial statements.

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Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 1 - Description of the School District and Reporting 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 134 non-certificated employees and 228 certificated full time teaching personnel/administrative employees who provide services to 2,692 students and other community members.

The School District is the largest in square miles in the State. It is located in Monroe County and portions 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. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activities of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes due to GASB Statement No. 24.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or 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 village service. Council acts as the taxing and budgeting authority for these village services.

Townships located within School 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.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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 School District neither manages nor directs the operations nor provides financial support to these groups.

Switzerland of Ohio 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 participates in three organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Center (OME-RESA), the South Eastern Ohio Special Education Regional Resource Center (SEO-SERCC), the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Permanent Improvement Capital Projects Fund are the major funds of the School District. The following are descriptions of these funds:

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

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

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student managed activities.

C. Measurement Focus

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2005, the School District's investments were limited to an overnight repurchase sweep account and STAROhio. The nonparticipating investment contracts and repurchase agreements are reported at cost.

State Treasury Asset Reserve of Ohio (STAROhio) is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2005.

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 2005 amounted to \$84,056, which includes \$15,130 assigned from other School District funds.

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. Investments with an initial maturity of more than three months are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 fiscal year in which services are consumed.

G. Inventory

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

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

H. Capital Assets

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand-five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	30 years
Furniture and Equipment	5-7 years
Vehicles	10 years

I. Inter-fund Balances

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

J. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization. See Note 20 for additional information regarding set asides.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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 vacation eligible employees with more than one year of service.

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the governmental fund financial statements when due.

M. Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five-year period is presented as reserved.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for music and athletic programs and federal and state grants restricted to expenditures for specified purposes. The government-wide statement of net assets reports \$1,006,389 of restricted net assets. Of the restricted net assets \$682,292 has resulted from enabling legislation.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level.

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

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

Note 3 - Change in Accounting Principle

For the fiscal year ended June 30, 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", and GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 6 "Deposits and Investments" for required disclosures.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The implementation of this technical bulletin had no material effect on the School District's financial statements for fiscal year ended June 30, 2004.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets, and had no material effect on the financial statements.

Note 4 - Accountability

At June 30, 2005, the following special revenue funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Food Service	\$20,241
DPIA	62,697
IDEA Part B	4,551
Title I	41,885

These deficits are due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

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

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

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balance

GAAP Basis	(\$1,169,585)
Net Adjustment for Revenue Accruals	(45,331)
Fiscal Year 2005 Unreported Cash	(19)
Fiscal Year 2004 Prepaid Items	(63,921)
Fiscal Year 2005 Prepaid Items	72,669
Net Adjustment for Expenditure Accruals	189,985
Advances In	43,055
Advances Out	(21,704)
Encumbrances	<u>(372,952)</u>
Budget Basis	<u><u>(\$1,367,803)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances for a period not to exceed 180 days from the purchase date 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. Investments may only be made through specified dealers and institutions.

Deposits At June 30, 2005, the carrying amount of all deposits was \$35,530. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$121,639 of the School District's bank balance of \$221,639, including the payroll account balance of \$121,631, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Investments As of June 30, 2005, the School District had the following investments, which are in an internal investment pool:

	Fair Value	Maturity	Percent of Total Investment By Issuer
WESBANCO Repurchase Agreement	\$243,272	12/15/2010	7.27%
STAROhio	<u>3,101,753</u>	30 Days	<u>92.73%</u>
Totals	<u>\$3,345,025</u>		100.00%

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

Credit Risk. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Federal Home Loan Mortgage Corporation carries a rating of Aaa by Moody's and was the security underlying the School District's repurchase agreement. The School District has no investment policy that would further limit its investment choices.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of failure or the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the School District's \$243,272 investment in repurchase agreements, the full amount of the underlying securities are held by the investment's counterparty, not in the name of the School District. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District investment policy addresses concentration of credit risk in that it limits, with the exception of direct obligations of the United States Treasury and STAR Ohio, no more than twenty-five percent of the School District's total investment portfolio will be invested in a single security type or with a single financial institution.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Monroe, Belmont and Noble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Accrued property taxes receivable includes real property, personal property and public utility taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations. The amount available as an advance at June 30, 2005, was \$1,463,827. \$1,357,164 was available to the General Fund and \$106,663 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2004, was \$1,420,415. \$1,313,409 was available to the General Fund and \$107,006 in the Permanent Improvement Capital Projects Fund. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/ Residential and Other Real Estate	\$191,324,040	60.84%	\$218,654,420	67.28%
Public Utility Personal	46,204,210	14.69%	51,901,790	15.97%
Tangible Personal Property	76,958,100	24.47%	54,425,210	16.75%
Total	<u><u>\$314,486,350</u></u>	<u><u>100.00%</u></u>	<u><u>\$324,981,420</u></u>	<u><u>100.00%</u></u>
 Tax rate per \$1,000 of assessed valuation	 \$21.92		 \$37.90	

Note 8 - Receivables

Receivables at June 30, 2005, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental grants, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Miscellaneous Reimbursements	\$2,562
Miscellaneous State Grants	8,423
IDEA Part B	12,827
Miscellaneous Fed Grants	22,164
Total	<u><u>\$45,976</u></u>

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance			Balance
	June 30, 2004	Additions	Deletions	June 30, 2005
Nondepreciable Capital Assets				
Land	\$678,604	\$0	\$0	\$678,604
Depreciable Capital Assets				
Buildings and Improvements	12,742,849	168,539	0	12,911,388
Furniture and Equipment	3,523,676	127,860	(11,339)	3,640,197
Vehicles	2,970,199	124,926	0	3,095,125
Total at Historical Cost	<u>19,236,724</u>	<u>421,325</u>	<u>(11,339)</u>	<u>19,646,710</u>
Less Accumulated Depreciation				
Buildings and Improvements	(7,701,313)	(253,338)	0	(7,954,651)
Furniture and Equipment	(2,423,910)	(109,757)	9,004	(2,524,663)
Vehicles	(1,421,937)	(102,909)	0	(1,524,846)
Total Accumulated Depreciation	<u>(11,547,160)</u>	<u>(466,004) *</u>	<u>9,004</u>	<u>(12,004,160)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>7,689,564</u>	<u>(44,679)</u>	<u>(2,335)</u>	<u>7,642,550</u>
Governmental Activities Capital Assets, Net	<u>\$8,368,168</u>	<u>(\$44,679)</u>	<u>(\$2,335)</u>	<u>\$8,321,154</u>

* Depreciation expense was charged to governmental functions as follows:

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Instruction:	
Regular	\$134,076
Special	24,950
Vocational	64,026
Adult/Continuing	570
Support Services:	
Pupils	8,316
Instructional Staff	15,035
Administration	34,641
Fiscal	4,506
Operation and Maintenance of Plant	20,254
Pupil Transportation	134,256
Operation of Non-Instructional Services	<u>25,374</u>
 Total Depreciation Expense	 <u><u>\$466,004</u></u>

Note 10 - Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>
	<u>General Fund</u>
Other Nonmajor Governmental Funds	<u><u>\$21,704</u></u>

The interfund receivable in the General Fund is for loans made to the following funds until the grant monies or other funding is received: Miscellaneous State Grants Fund, IDEA Part B, Miscellaneous Federal Grants Fund, and Miscellaneous Local Funds Special Revenue Funds. These advances will be repaid in fiscal year 2006.

B. Interfund Transfers

During fiscal year 2005, the School District recorded transfers to the following funds:

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

	Transfer In	Transfer Out
Major Fund:		
General Fund	\$0	\$65,102
Other Nonmajor Governmental Funds:		
Miscellaneous Local Funds	2,000	0
Miscellaneous State Grant Funds	65,102	2,000
Total Other Nonmajor Funds	<u>67,102</u>	<u>2,000</u>
Total All Funds	<u>\$67,102</u>	<u>\$67,102</u>

The above transfers were made to move unrestricted balances to support various other School District programs.

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District purchased the following coverage:

<u>Indiana Insurance</u>		
Fleet Insurance:		
Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$1,000,000	any one accident
Comprehensive		actual cash value
Physical Damage		actual cash value
Collision		actual cash value
General Liability:		
Bodily Injury and Property Damage	\$1,000,000	each occurrence
Fire Damage	\$500,000	any one event
Medical Expense	\$15,000	each accident
General Aggregate	\$2,000,000	
Products Aggregate	\$2,000,000	
Employee Benefits Liability	\$1,000,000	
Aggregate	\$3,000,000	
Employers' Liability	\$1,000,000	
<u>Indiana Insurance</u>		
Building, Personal Property, and Contents	\$39,868,545	
Inland Marine	\$7,778	

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

B. Worker's Compensation

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage 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 shares 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 12 - 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 ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time. Teachers, administrative and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is limited to 250 days. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Aetna Insurance Company. Coverage in the amount of \$50,000 is provided for all certified employees and \$25,000 for non-certified employees. Administrators have coverage of twice their salary amount with a maximum of \$100,000.

The School District has contracted with Aetna Insurance Company 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 2005, the School District's and the employees' premiums for medical/surgical benefits for the staff were \$1,069 and \$119 for family coverage and \$382 and \$42 for single coverage per employee per month, respectively. The premium for dental coverage was funded entirely by the School District at \$58 and \$21 per employee per month for family and single coverage, respectively .

The School District has contracted with Vision Service Plan to provide employee vision benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for vision benefits. For fiscal year 2005, the School District's and the employees' premiums for vision benefits for the staff were \$13 and \$1 for family coverage and \$5 and \$1 for single coverage per employee per month, respectively.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

C. Special Termination Benefits Payable

The School District's negotiated agreement with the Switzerland of Ohio Education Association provides for payment of one-half of total accumulated sick leave to any certificated staff who is covered under their contract and retires in the first year that they become eligible to receive benefits from the State Teachers Retirement Board. Any certificated staff covered under this contract who retires at any other time is eligible to receive one-fourth of their accumulated sick leave.

The School District's negotiated agreement with OAPSE/AFSCME Local 4 provides for payment of one-fourth of total accumulated sick leave to any classified employee covered under their contract who retires while in service with the School District.

The School District's policies provide for payment of one-fourth of accumulated sick leave to any administrative staff who retires from service with the School District.

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$291,610, \$245,345, and \$206,343; 41 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,284,205, \$1,256,736 and \$1,204,460; 84 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$17,110 made by the School District and \$24,459 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, there is one employee who has elected Social Security.

Note 14 - Post-Employment 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$98,785 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$136,582 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 15 - Capitalized Leases

The School District has a capitalized lease for a photocopying machine. This 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. Principal payments in fiscal year 2005 total \$2,804 in the General Fund.

Future minimum lease payments through 2006 for governmental activities are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2006	\$3,038	\$133

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 16 - Long-Term Obligations

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 06/30/04	Additions	Reductions	Outstanding 06/30/05	Due in One Year
Governmental Activities:					
Compensated Absences	\$1,906,530	\$298,006	\$154,384	\$2,050,152	\$218,118
Capital Leases	5,842	0	2,804	3,038	3,038
Total Long-Term Obligations	<u>\$1,912,372</u>	<u>\$298,006</u>	<u>\$157,188</u>	<u>\$2,053,190</u>	<u>\$221,156</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service, DPIA, IDEA Part B, and Title I Special Revenue Funds. The capital leases will be paid from the General Fund.

Note 17 - Jointly Governed Organizations

Ohio Mid-Eastern Regional Educational Service Agency - The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) was created as a regional council of governments pursuant to State statutes. OME-RESA has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member School Districts. OME-RESA is governed by a governing board which is selected by the member School Districts. OME-RESA possesses its own budgeting authority. The Jefferson County Educational Service Center serves as fiscal agent and receives funding from the State Department of Education. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952. During fiscal year 2005, the School District contracted with OME-RESA for an annual amount of \$63,916.

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

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Coalition of Rural and Appalachian Schools – The Coalition of Rural and Appalachian Schools is a jointly governed organization including over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various in-service for school administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition.

Note 18 - Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 19 - 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 requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

During fiscal year 2005, the School District was a party to a legal proceeding involving an accident at one of its high schools in which a student was struck by a private vehicle. The School District's insurance company at the time of the accident was Nationwide Insurance Company and their legal council has been handling the School Districts' defense to the claim. Any liability arising from this claim will likely not exceed the insurance coverage in place at the time and therefore, there has been no accrual made for this claim. Subsequently, the School District has been notified that it has been released from this claim and is no longer a defendant in this case.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 20 - Set Asides

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for School Districts to establish and appropriate money for the budget stabilization was deleted from law. A School District may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a School District's budget reserve set-aside as of April 10, 2001, may, at the discretion of the board, be returned to the School District's general fund or may be left in the account and used by the board to offset any budget deficit the School District may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation refund monies remaining in the budget reserve set-aside.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2004	\$0	\$0	\$108,196
Carry over of Prior Year Qualifying Disbursements	(1,683,188)	0	0
Current Year Set-aside Requirement	406,182	406,182	0
Current Year Offsets	(354,484)	(303,874)	0
Qualifying Disbursements	(469,793)	(102,308)	0
Total	<u>(\$2,101,283)</u>	<u>\$0</u>	<u>\$108,196</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$2,101,283)</u>	<u>\$0</u>	<u>\$108,196</u>

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

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

<u>FEDERAL GRANTOR/ Pass Through Grantor Program Title</u>	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Direct Program:</i>						
Community Facilities Loans and Grants	N/A	10.766	\$30,000	\$0	\$30,000	\$0
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Donation	N/A	10.550		30,833		30,833
School Breakfast Program	N/A	10.553	137,369		137,369	
National School Lunch Program	N/A	10.555	397,901		397,901	
Total Nutrition Cluster			<u>535,270</u>	<u>30,833</u>	<u>535,270</u>	<u>30,833</u>
Total U.S. Department of Agriculture			<u>565,270</u>	<u>30,833</u>	<u>565,270</u>	<u>30,833</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education - State Grant Program	048652-ABS1	84.002	39,929		36,432	
Title I Grants to Local Educational Agencies	048652-C1S1	84.010	863,696		795,731	
Special Education Grants to States	048652-6BSF	84.027	672,446		637,796	
Vocational Education - Basic Grants to States	20C1	84.048	78,210		72,468	
Safe and Drug-Free Schools and Communities - State Grants	048652-DRS1	84.186	21,945		24,398	
Innovative Education Program Strategies	048652-C2S1	84.298	13,949		15,523	
Education Technology State Grants	048652-TJS1	84.318	23,114		25,428	
Rural Education	048652-RUS1	84.358	3,891		6,449	
Improving Teacher Quality State Grants	048652-TRS1	84.367	239,324		262,324	
Total U.S. Department of Education			<u>1,956,504</u>	<u>0</u>	<u>1,876,549</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program		93.767	2,848		2,848	
Medical Assistance Program		93.778	62,836		62,836	
Total U.S. Department of Health and Human Services			<u>65,684</u>	<u>0</u>	<u>65,684</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,587,458</u>	<u>\$30,833</u>	<u>\$2,507,503</u>	<u>\$30,833</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2005**

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 - CHILD NUTRITION CLUSTER

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

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

NOTE C - TRANSFERS

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

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.010	048652-C1S1-2004		\$3,668
84.010	048652-C1S1-2005	\$3,668	
84.186	048652-DRS1-2004		3,388
84.186	048652-DRS1-2005	3,388	
84.298	048652-C2S1-2004		1,696
84.298	048652-C2S1-2005	1,696	
84.318	048652-TJSI-2004		6,013
84.318	048652-TJSI -2005	6,013	
84.367	048652-TRS1-2004		<u>75,316</u>
84.367	048652-TRS1 -2005	<u>75,316</u>	
Total		<u>\$90,081</u>	<u>\$90,081</u>

NOTE D – REFUNDS

During fiscal year 2005, the School District refunded \$1,075 to the Ohio Department of Education (ODE) after the expiration of the period of availability of the Special Education Grants to States, Code of Federal Domestic Assistance (CFDA) #84.027.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated January 31, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated January 31, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 31, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Switzerland of Ohio Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The School District's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Switzerland of Ohio Local School District
Monroe County
Independent Accountants' Report On Compliance With Requirements
Applicable To Each Major Federal Program And On 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 31, 2006.

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



Betty Montgomery
Auditor of State

January 31, 2006

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies, C.F.D.A. #84.010, Improving Teacher Quality State Grants, C.F.D.A. # 84.367
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2006**