



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2006, 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, 2006, 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 April 3, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

April 3, 2007

Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. The MD&A should be read in conjunction with the School District's basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2006 are as follows:

- In total, net assets of governmental activities decreased \$1,311,917.
- General revenues accounted for \$19,022,171 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$5,297,663 or 22 percent of total revenues of \$24,319,834.
- Total assets of governmental activities decreased by \$941,370. This decrease is mostly attributable to cash and cash equivalents decreasing by \$1,077,234 offset by increases in intergovernmental receivables and capital assets.
- The School District had \$25,631,751 in expenses related to governmental activities; only \$5,297,663 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental revenues) of \$19,022,171 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 \$19,449,772 in revenues and \$21,087,527 in expenditures. The General Fund's balance decreased \$1,688,417. The Permanent Improvement Capital Projects Fund had revenues of \$617,921 and \$620,126 in expenditures, while the fund balance decreased by \$2,205, during fiscal year 2006.

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, 2006
Unaudited

Reporting the School District as a Whole

Statement of New 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 2005-2006 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 Activities 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, 2006
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 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		
	2006	2005	Change
Assets			
Current and Other Assets	\$10,998,297	\$12,037,431	(\$1,039,134)
Capital Assets	8,418,918	8,321,154	97,764
Total Assets	19,417,215	20,358,585	(941,370)
Liabilities			
Long-Term Liabilities	1,789,506	2,053,190	(263,684)
Other Liabilities	10,397,077	9,762,846	634,231
Total Liabilities	12,186,583	11,816,036	370,547
Net Assets			
Invested in Capital Assets	8,418,918	8,318,116	100,802
Restricted	950,382	1,006,389	(56,007)
Unrestricted	(2,138,668)	(781,956)	(1,356,712)
Total Net Assets	\$7,230,632	\$8,542,549	(\$1,311,917)

Total assets decreased \$941,370. As stated earlier, cash and cash equivalents decreased while intergovernmental receivables and capital assets increased from the prior year. The decrease in cash and cash equivalents of \$1,077,234 is the direct result of the School District using a portion of their combined cash balances to meet expenses for the past few years. The increase in capital assets of \$97,764 is the result of current year additions exceeding depreciation.

In total, liabilities increased by \$370,547 largely the result of deferred revenue increasing by \$433,465. This increase in deferred revenue and the corresponding decrease in property tax revenue are attributable to a \$118,854 decrease in property taxes receivable and a \$634,102 decrease in the portion of taxes receivable that represents the amount available as an advance against the August 2006 real estate settlement. Long-term liabilities decreased as a result of the retirement of a capital lease and reductions in future severance liabilities to employees through retirements.

Net assets decreased \$1,311,917. The biggest change is in unrestricted net assets. The increase of \$100,802 in invested in capital assets results from the combination of the retirement of a capital lease and current year capital outlay exceeding depreciation.

Table 2 shows the changes in net assets for fiscal year 2006.

Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities		
	2006	2005	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$683,986	\$763,943	(\$79,957)
Operating Grants, Contributions, and Interest	4,517,760	3,867,795	649,965
Capital Grants and Contributions	95,917	81,035	14,882
	<u>5,297,663</u>	<u>4,712,773</u>	<u>584,890</u>
General Revenue			
Property Taxes	7,831,801	8,067,112	(235,311)
Grants and Entitlements	10,842,043	10,977,978	(135,935)
Investment Earnings	123,173	84,587	38,586
Miscellaneous	225,154	424,238	(199,084)
	<u>19,022,171</u>	<u>19,553,915</u>	<u>(531,744)</u>
Total Revenues	<u>24,319,834</u>	<u>24,266,688</u>	<u>53,146</u>
Program Expenses			
Instruction			
Regular	9,660,977	9,327,073	333,904
Special	2,971,399	2,564,214	407,185
Vocational	2,170,077	2,265,680	(95,603)
Adult/Continuing	37,437	28,164	9,273
Support Services			
Pupils	728,004	881,740	(153,736)
Instructional Staff	1,182,856	1,226,493	(43,637)
Board of Education	26,530	25,278	1,252
Administration	1,836,251	1,938,301	(102,050)
Fiscal	621,741	718,025	(96,284)
Operation and Maintenance of Plant	1,932,919	2,021,294	(88,375)
Pupil Transportation	2,620,462	2,473,540	146,922
Central	62,692	67,219	(4,527)
Operation of Non-Instructional Services	1,199,825	1,142,222	57,603
Extracurricular Activities	580,448	566,456	13,992
Interest and Fiscal Charges	133	366	(233)
Total Expenses	<u>25,631,751</u>	<u>25,246,065</u>	<u>385,686</u>
Increase in Net Assets	<u><u>(\$1,311,917)</u></u>	<u><u>(\$979,377)</u></u>	<u><u>(\$332,540)</u></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 32 percent of revenues for governmental activities for Switzerland of Ohio Local School District in fiscal year 2006.

Switzerland of Ohio Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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 \$416,085 in open enrollment in fiscal year 2006, which represents approximately \$206,878 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 2006 compared to fiscal year 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	2006 Total Cost of Services	2006 Net Cost of Services	2005 Total Cost of Services	2005 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$9,660,977	\$8,587,899	\$9,327,073	\$8,953,387
Special	2,971,399	1,399,709	2,564,214	956,012
Vocational	2,170,077	1,789,763	2,265,680	1,837,510
Adult/Continuing	37,437	957	28,164	3,377
Support Services:				
Pupils	728,004	662,346	881,740	773,738
Instructional Staff	1,182,856	643,718	1,226,493	633,564
Board of Education	26,530	26,530	25,278	25,278
Administration	1,836,251	1,779,560	1,938,301	1,859,990
Fiscal	621,741	618,133	718,025	704,208
Operation and Maintenance of Plant	1,932,919	1,918,566	2,021,294	1,987,349
Pupil Transportation	2,620,462	2,482,391	2,473,540	2,293,672
Central	62,692	4,485	67,219	58,260
Operation of Non-Instructional Services	1,199,825	122,994	1,142,222	169,547
Extracurricular Activities	580,448	296,904	566,456	277,034
Interest and Fiscal Charges	133	133	366	366
Totals	\$25,631,751	\$20,334,088	\$25,246,065	\$20,533,292

Instructional programs comprise approximately 58 percent of total governmental program expenses. Of the instructional expenses, approximately 65 percent is for regular instruction, 20 percent for special instruction, and 15 percent for vocational and adult/continuing instructions.

The dependence upon tax revenues and state subsidies for governmental activities is apparent, with 79 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, 2006
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 \$24,179,914 and expenditures of \$25,993,199. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$1,688,417. The change in the remaining governmental funds is reflecting a decrease of \$124,868.

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 2006, the School District amended its General Fund appropriations, but not significantly.

For the General Fund, budget basis revenues were \$178,276 above final estimates of \$19,857,183. 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 \$784,665.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$8,418,918 invested in land, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2006 balances compared to 2005.

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

	<u>Government Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$690,281	\$678,604
Buildings and Improvements	4,843,856	4,956,737
Furniture and Equipment	1,158,079	1,115,534
Vehicles	<u>1,726,702</u>	<u>1,570,279</u>
Totals	<u><u>\$8,418,918</u></u>	<u><u>\$8,321,154</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, 2006
Unaudited

Set-asides

For fiscal year 2006, 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 2006, this amounted to \$392,396 for each set aside. For fiscal year 2006, the School District had qualifying disbursements or offsets exceeding the \$392,396 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 did not end fiscal year 2006 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 net loss of students to other school districts through open enrollment.

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

Contacting the School District's Financial Management

This financial report is designed to provide our 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, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,222,289
Accounts Receivable	9,427
Intergovernmental Receivable	202,693
Materials and Supplies Inventory	1,455
Inventory Held for Resale	5,523
Prepaid Items	71,044
Property Taxes Receivable	8,485,866
Nondepreciable Capital Assets	690,281
Depreciable Capital Assets, Net	7,728,637
Total Assets	<u>19,417,215</u>
Liabilities	
Accounts Payable	203,274
Accrued Wages and Benefits Payable	2,099,570
Intergovernmental Payable	709,920
Matured Compensated Absences Payable	1,909
Retirement Incentive Payable	205,488
Deferred Revenue	7,176,916
Long-Term Liabilities:	
Due Within One Year	192,808
Due In More Than One Year	1,596,698
Total Liabilities	<u>12,186,583</u>
Net Assets	
Invested in Capital Assets	8,418,918
Restricted for:	
Capital Projects	775,525
Other Purposes	174,857
Unrestricted (Deficit)	<u>(2,138,668)</u>
Total Net Assets	<u><u>\$7,230,632</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, 2006

	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	\$9,660,977	\$42,892	\$1,004,103	\$26,083	(\$8,587,899)
Special	2,971,399	0	1,571,690	0	(1,399,709)
Vocational	2,170,077	34,948	345,366	0	(1,789,763)
Adult/Continuing	37,437	0	36,480	0	(957)
Support Services:					
Pupils	728,004	0	65,658	0	(662,346)
Instructional Staff	1,182,856	0	539,138	0	(643,718)
Board of Education	26,530	0	0	0	(26,530)
Administration	1,836,251	0	56,691	0	(1,779,560)
Fiscal	621,741	0	0	3,608	(618,133)
Operation and Maintenance of Plant	1,932,919	360	11,732	2,261	(1,918,566)
Pupil Transportation	2,620,462	0	74,106	63,965	(2,482,391)
Central	62,692	0	58,207	0	(4,485)
Operation of Non-Instructional Services	1,199,825	322,242	754,589	0	(122,994)
Extracurricular Activities	580,448	283,544	0	0	(296,904)
Interest	133	0	0	0	(133)
Total Governmental Activities	\$25,631,751	\$683,986	\$4,517,760	\$95,917	(20,334,088)
General Revenues					
Property Taxes Levied for:					
					7,272,029
					559,772
					10,842,043
					123,173
					225,154
					<u>19,022,171</u>
					Change in Net Assets (1,311,917)
					Net Assets Beginning of Year <u>8,542,549</u>
					Net Assets End of Year <u><u>\$7,230,632</u></u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2006

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$959,622	\$761,719	\$467,669	\$2,189,010
Materials and Supplies Inventory	0	0	1,455	1,455
Inventory Held for Resale	0	0	5,523	5,523
Accounts Receivable	9,140	0	287	9,427
Interfund Receivable	140,226	0	0	140,226
Intergovernmental Receivable	0	0	202,693	202,693
Prepaid Items	71,044	0	0	71,044
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	33,279	0	0	33,279
Property Taxes Receivable	7,876,726	609,140	0	8,485,866
Total Assets	<u>\$9,090,037</u>	<u>\$1,370,859</u>	<u>\$677,627</u>	<u>\$11,138,523</u>
Liabilities				
Accounts Payable	\$90,143	\$80,684	\$32,447	\$203,274
Accrued Wages and Benefits Payable	1,758,919	0	340,651	2,099,570
Interfund Payable	0	0	140,226	140,226
Intergovernmental Payable	618,763	0	91,157	709,920
Matured Compensated Absences Payable	1,909	0	0	1,909
Retirement Incentive Payable	205,488	0	0	205,488
Deferred Revenue	7,105,355	550,786	82,127	7,738,268
Total Liabilities	<u>9,780,577</u>	<u>631,470</u>	<u>686,608</u>	<u>11,098,655</u>
Fund Balances				
Reserved for Encumbrances	111,173	109,123	68,458	288,754
Reserved for Unclaimed Monies	2,339	0	0	2,339
Reserved for Bus Purchase	30,940	0	0	30,940
Reserved for Property Taxes	771,371	58,354	0	829,725
Unreserved:				
Undesignated, Reported in:				
General Fund (Deficit)	(1,606,363)	0	0	(1,606,363)
Special Revenue Funds (Deficit)	0	0	(77,439)	(77,439)
Capital Projects Funds	0	571,912	0	571,912
Total Fund Balances (Deficit)	<u>(690,540)</u>	<u>739,389</u>	<u>(8,981)</u>	<u>39,868</u>
Total Liabilities and Fund Balances	<u>\$9,090,037</u>	<u>\$1,370,859</u>	<u>\$677,627</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. 8,418,918

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

Property Taxes	479,225	
Grants	82,127	561,352

Compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. (1,789,506)

Net Assets of Governmental Activities \$7,230,632

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, 2006

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,197,084	\$552,934	\$0	\$7,750,018
Intergovernmental	11,867,301	64,977	3,464,473	15,396,751
Interest	122,651	0	1,354	124,005
Tuition and Fees	47,180	0	25,037	72,217
Extracurricular Activities	0	0	258,507	258,507
Rentals	360	0	0	360
Charges for Services	0	0	352,902	352,902
Miscellaneous	215,196	10	9,948	225,154
Total Revenues	<u>19,449,772</u>	<u>617,921</u>	<u>4,112,221</u>	<u>24,179,914</u>
Expenditures				
Current:				
Instruction:				
Regular	8,520,649	153,809	929,340	9,603,798
Special	1,983,320	0	979,067	2,962,387
Vocational	2,135,923	0	63,913	2,199,836
Adult/Continuing	0	0	36,914	36,914
Support Services:				
Pupils	660,264	0	85,136	745,400
Instructional Staff	630,074	0	546,966	1,177,040
Board of Education	26,530	0	0	26,530
Administration	1,827,322	0	63,155	1,890,477
Fiscal	595,290	21,273	0	616,563
Operation and Maintenance of Plant	1,895,940	13,331	11,566	1,920,837
Pupil Transportation	2,546,767	194,745	1,722	2,743,234
Central	30	0	61,989	62,019
Operation of Non-Instructional Services	0	0	1,187,577	1,187,577
Extracurricular Activities	262,247	0	318,201	580,448
Capital Outlay	0	236,968	0	236,968
Debt Service:				
Principal Retirement	3,038	0	0	3,038
Interest and Fiscal Charges	133	0	0	133
Total Expenditures	<u>21,087,527</u>	<u>620,126</u>	<u>4,285,546</u>	<u>25,993,199</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,637,755)</u>	<u>(2,205)</u>	<u>(173,325)</u>	<u>(1,813,285)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	54,662	54,662
Transfers Out	(50,662)	0	(4,000)	(54,662)
Total Other Financing Sources (Uses)	<u>(50,662)</u>	<u>0</u>	<u>50,662</u>	<u>0</u>
Net Change in Fund Balances	(1,688,417)	(2,205)	(122,663)	(1,813,285)
Fund Balances Beginning of Year	997,877	741,594	113,682	1,853,153
Fund Balances (Deficit) End of Year	<u>(\$690,540)</u>	<u>\$739,389</u>	<u>(\$8,981)</u>	<u>\$39,868</u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District, Ohio
Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds (\$1,813,285)

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

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

Fixed Asset Additions	506,789	
Current Year Depreciation	<u>(409,025)</u>	97,764

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

Property Taxes	81,783	
Grants	<u>58,137</u>	139,920

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	260,646	
Capital Leases Payable	<u>3,038</u>	<u>263,684</u>

Change in Net Assets of Governmental Activities (\$1,311,917)

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, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$7,466,000	\$7,785,000	\$7,782,877	(\$2,123)
Intergovernmental	11,420,412	11,754,553	11,869,863	115,310
Interest	118,008	113,000	122,652	9,652
Tuition and Fees	45,550	55,915	47,343	(8,572)
Rentals	346	310	360	50
Miscellaneous	204,323	148,405	212,364	63,959
Total Revenues	19,254,639	19,857,183	20,035,459	178,276
Expenditures				
Current:				
Instruction:				
Regular	8,362,572	8,527,781	8,459,381	68,400
Special	1,917,261	1,959,386	1,939,456	19,930
Vocational	2,162,180	2,193,941	2,187,210	6,731
Support Services:				
Pupils	652,907	666,801	660,465	6,336
Instructional Staff	627,016	635,443	634,275	1,168
Board of Education	28,646	29,073	28,978	95
Administration	1,778,801	1,814,599	1,799,393	15,206
Fiscal	592,963	613,986	599,827	14,159
Operation and Maintenance of Plant	1,945,679	2,000,233	1,968,203	32,030
Pupil Transportation	2,548,343	2,633,596	2,577,844	55,752
Central	30	30	30	0
Extracurricular Activities	255,031	269,190	258,021	11,169
Debt Service:				
Principal Retirement	3,038	3,038	3,038	0
Interest and Fiscal Charges	133	133	133	0
Total Expenditures	20,874,600	21,347,230	21,116,254	230,976
Excess of Revenues Over (Under) Expenditures	(1,619,961)	(1,490,047)	(1,080,795)	409,252
Other Financing Sources (Uses)				
Transfers In	0	108,196	0	(108,196)
Advances In	0	21,700	21,704	4
Other Financing Uses	0	(1,000)	0	1,000
Advances Out	0	(191,000)	(140,226)	50,774
Transfers Out	0	(160,196)	(50,662)	109,534
Total Other Financing Sources (Uses)	0	(222,300)	(169,184)	53,116
Net Change in Fund Balance	(1,619,961)	(1,712,347)	(1,249,979)	462,368
Fund Balance Beginning of Year	1,661,692	1,661,692	1,661,692	0
Prior Year Encumbrances Appropriated	372,952	372,952	372,952	0
Fund Balance End of Year	\$414,683	\$322,297	\$784,665	\$462,368

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, 2006

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$66,788</u>
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Liabilities

Undistributed Monies	\$1,795
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Due to Students	<u>64,993</u>
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Total Liabilities	<u>\$66,788</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, 2006

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 135 non-certificated employees and 225 certificated full time teaching personnel/administrative employees who provide services to 2,652 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, 2006

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 four 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 Southeastern Ohio Special Education Regional Resource Center (SEO-SERCC), the Coalition of Rural and Appalachian Schools, Ohio Coalition of Equity and Adequacy of School Funding, 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. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program 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, 2006

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 two categories of funds: governmental 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, including the purchase of textbooks.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's 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, 2006

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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 2006, the School District's investment was in STAROhio.

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, 2006.

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 2006 amounted to \$122,651, which includes \$44,654 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, 2006, 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.

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.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand-five hundred dollars. The School District 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. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables". These amounts are eliminated 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 governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents reserved for unclaimed monies and unspent revenues restricted for the purchase of buses.

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.

The entire compensated absences liability is reported on the government-wide financial statements.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which these payments will be made.

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, matured compensated absences and retirement incentive benefits that will be paid from governmental funds are reported as a liability in the fund financial statements 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. Interfund Activity

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

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 bus purchases.

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 bus purchases represent State grant funds required to be utilized for the purchase of school buses. 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 consist of capital assets, net of accumulated depreciation. The School District has no outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets by which to reduce this amount. 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, federal and state grants restricted to expenditures for specified purposes, activities for scholarships, state funding restricted for bus purchases and unclaimed monies. The government-wide statement of net assets reports \$950,382 of restricted net assets. None of these restrictions has resulted from enabling legislation.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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 fund, 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, 2006, the School District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 provides guidance on the accounting treatment and financial reporting requirements for impairments of capital assets and insurance recoveries. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 47 establishes accounting standards for termination benefits. The implementation of this statement had no effect on the financial statements.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 4 – Accountability and Compliance

A. Accountability

At June 30, 2006, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
General Fund	\$95,493
Special Revenue Funds:	
Food Service	128,776
IDEA Part B	58,970
Title I	36,825

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).

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

Net Change in Fund Balance

GAAP Basis	(\$1,688,417)
Net Adjustment for Revenue Accruals	585,695
Fiscal Year 2006 Unreported Cash	(27)
Fiscal Year 2005 Unreported Cash	19
Fiscal Year 2006 Prepaid Items	71,044
Fiscal Year 2005 Prepaid Items	(72,669)
Net Adjustment for Expenditure Accruals	181,116
Advances In	21,704
Advances Out	(140,226)
Encumbrances	<u>(208,218)</u>
Budget Basis	<u>(\$1,249,979)</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;

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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;
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 if trading requirements have been 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, 2006, the carrying amount of all deposits was \$89,451. 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, \$0 of the School District's bank balance of \$347,765, including the payroll account balance of \$222,341, was exposed to custodial credit risk because it was uninsured and uncollateralized. All statutory requirements for the deposit of money had been followed.

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, 2006, the School District had the following investment, which is an internal investment pool:

	Fair Value	Maturity
STAROhio	\$2,199,626	34.77

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.

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

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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. 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's fiscal year runs from July through June. First-half tax collections are received by the School District in the second half of the fiscal year. Second-half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenues received in calendar year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenue received in calendar 2006 (other than public utility property tax) represents the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments made by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Monroe, Belmont and Noble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

At June 30, 2006, \$771,371 was available as an advance in the General Fund and \$58,354 was available to the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2005, was \$1,357,164 in the General Fund and \$106,663 in the Permanent Improvement Capital Projects Fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$218,654,420	67.28%	\$220,714,100	72.59%
Public Utility Personal	51,901,790	15.97%	49,882,360	16.41%
General Business Personal	54,425,210	16.75%	33,457,170	11.00%
Total	\$324,981,420	100.00%	\$304,053,630	100.00%
Tax rate per \$1,000 of assessed valuation		\$37.90		\$37.90

Note 8 - Receivables

Receivables at June 30, 2006, 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 State Grants	21,000
IDEA Part B	69,074
Miscellaneous Fed Grants	<u>112,619</u>
Total	<u>\$202,693</u>

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Nondepreciable Capital Assets				
Land	\$678,604	\$11,677	\$0	\$690,281
Depreciable Capital Assets				
Buildings and Improvements	12,911,388	133,210	0	13,044,598
Furniture and Equipment	3,640,197	113,746	(7,605)	3,746,338
Vehicles	3,095,125	248,156	0	3,343,281
Total at Historical Cost	<u>19,646,710</u>	<u>495,112</u>	<u>(7,605)</u>	<u>20,134,217</u>
Less Accumulated Depreciation				
Buildings and Improvements	(7,954,651)	(246,091)	0	(8,200,742)
Furniture and Equipment	(2,524,663)	(71,201)	7,605	(2,588,259)
Vehicles	(1,524,846)	(91,733)	0	(1,616,579)
Total Accumulated Depreciation	<u>(12,004,160)</u>	<u>(409,025) *</u>	<u>7,605</u>	<u>(12,405,580)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>7,642,550</u>	<u>86,087</u>	<u>0</u>	<u>7,728,637</u>
Governmental Activities Capital Assets, Net	<u>\$8,321,154</u>	<u>\$97,764</u>	<u>\$0</u>	<u>\$8,418,918</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$110,721
Special	25,582
Vocational	50,173
Adult/Continuing	523
Support Services:	
Pupils	6,395
Instructional Staff	15,349
Administration	28,399
Fiscal	3,366
Operation of Maintenance and Plant	20,034
Pupil Transportation	124,215
Central	673
Operation of Non-Instructional Services	<u>23,595</u>
Total Depreciation Expense	<u>\$409,025</u>

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 10 - Interfund Balances and Transfers

A. Interfund Balances

Interfund balances at June 30, 2006, consist of the following individual fund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General Fund</u>
Other Governmental Funds	<u>\$140,226</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, Food Service, and Miscellaneous Federal Grants Special Revenue Funds. These advances will be repaid in fiscal year 2007.

B. Interfund Transfers

During fiscal year 2006, the School District recorded transfers to the following funds:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Fund:		
General Fund	\$0	\$50,662
Other Nonmajor Governmental Funds:		
Miscellaneous Local Funds	4,000	0
Miscellaneous State Grant Funds	50,662	4,000
Total Other Nonmajor Funds	<u>54,662</u>	<u>4,000</u>
Total All Funds	<u>\$54,662</u>	<u>\$54,662</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 2006, the School District purchased the following coverage:

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

<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
<u>Indiana Insurance</u>		
Building, Personal Property, General Liability, and Contents		
	\$48,843,711	
Equipment Breakdown	\$25,000-\$100,000	
Contractors' Equipment Coverage	\$10,813	
<u>Allstate</u>		
Flood Insurance	\$35,000	

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.

B. Worker's Compensation

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (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.

Switzerland of Ohio Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem 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 Anthem 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 2006, the School District's and the employees' premiums for medical/surgical benefits for the staff were \$1,172 and \$130 for family coverage and \$419 and \$47 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 2006, the School District's and the employees' premiums for vision benefits for the staff were \$14 and \$1 for family coverage and \$6 and \$1 for single coverage per employee per month, respectively.

C. Retirement Incentive Payable

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

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org.

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 2006, 10.58 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended

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Notes to the Basic Financial Statements

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June 30, 2006, 2005, and 2004, were \$300,694, \$291,610, and \$245,345, respectively; 45 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

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, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salaries. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,297,634, \$1,284,205, and \$1,256,736 respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$20,264 made by the School District and \$29,601 made by the plan members.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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. As of June 30, 2006, two employees have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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 of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums.

Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$99,818 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay has been established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$140,005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 15 - Capitalized Leases

During fiscal year 2006, the School District retired an outstanding capitalized lease for a photocopying machine. This lease met 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 and interest payments in fiscal year 2006 totaled \$3,038 and \$133, respectively, in the General Fund.

Note 16 - Long-Term Obligations

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

	Outstanding 06/30/05	Additions	Reductions	Outstanding 06/30/06	Due in One Year
Governmental Activities:					
Compensated Absences	\$2,050,152	\$269,845	\$530,491	\$1,789,506	\$192,808
Capital Leases	3,038	0	3,038	0	0
Total Long-Term Obligations	<u>\$2,053,190</u>	<u>\$269,845</u>	<u>\$533,529</u>	<u>\$1,789,506</u>	<u>\$192,808</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, Poverty Based Assistance, Miscellaneous State Grants, IDEA Part B, Title I, and Miscellaneous Federal Grants Special Revenue Funds. The capital lease was retired 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 2006, the School District contracted with OME-RESA for an annual amount of \$91,318.

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

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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 the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

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.

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

Note 18 - Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of 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, 2006.

Switzerland of Ohio Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

B. Litigation

During fiscal year 2006, the School District was a party to legal proceedings involving due process and breach of contract. For the due process litigation, the District received a ruling in favor of the School District, but this ruling has since been appealed. At this point in time, the outcome of the breach of contract litigation is not known.

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, 2005	\$0	\$0	\$108,196
Carry over of Prior Year Qualifying Disbursements	(2,101,283)	0	0
Current Year Set-aside Requirement	392,396	392,396	0
Current Year Offsets	(281,975)	(384,254)	0
Qualifying Disbursements	<u>(254,927)</u>	<u>(8,142)</u>	<u>(108,196)</u>
Total	<u>(\$2,245,789)</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$2,245,789)</u>	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook and capital improvements set-aside amounts to or below zero. The extra amount in the textbook set-aside may be used to reduce the set-aside requirements of future years. During fiscal year 2006, the Board passed a Resolution on November 23, 2005 to expend all of the previously reserved amount for the budget reserve pursuant to State statute.

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT

MONROE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550	\$0	\$24,658	\$0	\$24,658
Nutrition Cluster:						
School Breakfast Program	048652-05PU-2005	10.553	15,798		15,798	
	048652-05PU-2006		176,639		176,639	
Total School Breakfast Program			<u>192,437</u>	<u>0</u>	<u>192,437</u>	<u>0</u>
National School Lunch Program	048652-LLP4-2005	10.555	48,394		48,394	
	048652-LLP4-2006		295,455		295,455	
Total National School Lunch Program			<u>343,849</u>	<u>0</u>	<u>343,849</u>	<u>0</u>
Total Nutrition Cluster			<u>536,286</u>	<u>0</u>	<u>536,286</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>536,286</u>	<u>24,658</u>	<u>536,286</u>	<u>24,658</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education_State Grant Program	048652-ABS1-2004	84.002	(14,562)			
	048652-ABS1-2005		15,676		4,611	
	048652-ABS1-2006		41,604		9,917	
Total Adult Education_State Grant Program			<u>42,718</u>	<u>0</u>	<u>14,528</u>	<u>0</u>
Title I Grants to Local Educational Agencies	048652-C1S1-2005	84.010	(68,850)		167	
	048652-C1S1-2006		842,804		766,905	
Total Title I Grants to Local Educational Agencies			<u>773,954</u>	<u>0</u>	<u>767,072</u>	<u>0</u>
Special Education_Grants to States	048652-6BSA-2005	84.027	5,000		6,823	
	048652-6BSA-2006		37,500		37,500	
	048652-6BSF-2005		(33,548)		12,576	
	048652-6BSF-2006		653,783		648,258	
Total Special Education_Grants to States			<u>662,735</u>	<u>0</u>	<u>705,157</u>	<u>0</u>
Vocational Education_Basic Grants to States	048652-20C1-2005	84.048	1,108			
	048652-20C1-2006		47,848		48,513	
Total Vocational Education_Basic Grants to States			<u>48,956</u>	<u>0</u>	<u>48,513</u>	<u>0</u>
Safe and Drug-Free Schools and Communities_State Grants	048652-DRS1-2005	84.186	886		4,797	
	048652-DRS1-2006		17,477		15,280	
Total Safe and Drug-Free Schools and Communities_State Grants			<u>18,363</u>	<u>0</u>	<u>20,077</u>	<u>0</u>
Javits Gifted and Talented Students Education Grant Program	048652-JGS1-2006	84.206	7,777			
State Grants for Innovative Programs	048652-C2S1-2005	84.298	(4,957)		1,223	
	048652-C2S1-2006		13,051		11,023	
Total State Grants for Innovative Programs			<u>8,094</u>	<u>0</u>	<u>12,246</u>	<u>0</u>
Education Technology State Grants	048652-TJS1-2005	84.318	(3,700)			
	048652-TJS1-2006		22,896		20,223	
Total Education Technology State Grants			<u>19,196</u>	<u>0</u>	<u>20,223</u>	<u>0</u>
Improving Teacher Quality State Grants	048652-TRS1-2005	84.367	(53,482)			
	048652-TRS1-2006		277,960		262,200	
Total Improving Teacher Quality State Grants			<u>224,478</u>	<u>0</u>	<u>262,200</u>	<u>0</u>
Hurricane Education Recovery	04652-HR01-2006	84.938	1,000		1,000	
Total U.S. Department of Education			<u>1,807,271</u>	<u>0</u>	<u>1,851,016</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
State Children's Insurance Program	N/A	93.767	2,775		2,775	
Medical Assistance Program	N/A	93.778	58,894		58,894	
Total U.S. Department of Health and Human Services			<u>61,669</u>	<u>0</u>	<u>61,669</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,405,226</u>	<u>\$24,658</u>	<u>\$2,448,971</u>	<u>\$24,658</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, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – TRANSFERS

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

<u>CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
84.002	048652-ABS1-2004		\$14,562
84.002	048652-ABS1-2005	\$14,562	
84.010	048652-C1S1-2005		\$68,850
84.010	048652-C1S1-2006	\$68,850	
84.027	048652-06BSF2005		33,548
84.027	048652-06BSF-2006	33,548	
84.298	048652-C2S1-2005		4,957
84.298	048652-C2S1-2006	4,957	
84.318	048652-TJSI-2005		8,814
84.318	048652-TJSI –2006	8,814	
84.367	048652-TRSI-2005		<u>53,482</u>
84.367	048652-TRSI –2006	<u>53,482</u>	
Total		<u>\$184,213</u>	<u>\$184,213</u>



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 3, 2007. 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 April 3, 2007, 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 April 3, 2007, we reported an other matter related to noncompliance we deemed immaterial.

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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

April 3, 2007



Mary Taylor, CPA

Auditor of State

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, 2006. 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 its major federal programs for the year ended June 30, 2006. In a separate letter to the School District's management dated April 3, 2007, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with 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.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 3, 2007

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2006**

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):	Special Education Grants to States, C.F.D.A. #84.027 Nutrition Cluster, C.F.D.A. # 10.553 & #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

SWITZERLAND OF OHIO LOCAL SCHOOL DISTRICT
MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2007