



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 the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2008, 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 the Switzerland of Ohio Local School District, Monroe County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2009, 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 whole.

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

Mary Taylor, CPA
Auditor of State

January 27, 2009

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Management's Discussion and Analysis (MD&A) provides the reader with a narrative overview and analysis of the Switzerland of Ohio Local School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. The MD&A should be read in conjunction with the School District's basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets of governmental activities decreased \$1,157,282.
- General revenues accounted for \$19,694,161 in revenue or 78 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$5,589,455 or 22 percent of total revenues of \$25,283,616.
- Total assets of governmental activities decreased by \$495,369. This decrease is mostly attributable to decreases in property taxes receivable and intergovernmental receivables offset by increases in capital assets.
- The School District had \$26,440,898 in expenses related to governmental activities; only \$5,589,455 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues (primarily intergovernmental revenues and property taxes) of \$19,694,161 were not adequate enough to provide for these programs.
- The School District's major funds are the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$21,292,694 in revenues and \$21,952,185 in expenditures. The General Fund's fund balance decreased by \$714,309. The Permanent Improvement Capital Projects Fund had revenues of \$653,972 and \$608,353 in expenditures, with the fund balance increasing by \$45,619 during fiscal year 2008.

Using this Annual Financial Report

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

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

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Government-Wide Financial Statements

Statement of Net Assets and the Statement of Activities

While these documents contain information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2007-2008 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund.

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

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is the accrual basis of accounting, much like that used for business-type activities.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007:

Table 1
Net Assets

	<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Assets			
Current and Other Assets	\$9,318,454	\$10,050,703	(\$732,249)
Capital Assets	<u>8,891,569</u>	<u>8,654,689</u>	<u>236,880</u>
Total Assets	<u>18,210,023</u>	<u>18,705,392</u>	<u>(495,369)</u>
Liabilities			
Long-Term Liabilities	1,824,169	1,927,896	(103,727)
Other Liabilities	<u>9,257,090</u>	<u>8,491,450</u>	<u>765,640</u>
Total Liabilities	<u>11,081,259</u>	<u>10,419,346</u>	<u>661,913</u>
Net Assets			
Invested in Capital Assets	8,891,569	8,654,689	236,880
Restricted	984,397	1,000,797	(16,400)
Unrestricted (Deficit)	<u>(2,747,202)</u>	<u>(1,369,440)</u>	<u>(1,377,762)</u>
Total Net Assets	<u><u>\$7,128,764</u></u>	<u><u>\$8,286,046</u></u>	<u><u>(\$1,157,282)</u></u>

Total assets decreased \$495,369. As stated earlier, there was a decrease in property taxes receivable during 2008 in the amount of \$657,557. This decrease stems from a large tax payer being delinquent at the end of the prior fiscal year. Intergovernmental receivables also decreased by \$204,715 which is due to the timing of reimbursements of federal and state monies back to the School District. Capital assets increased \$236,880 due to current year capital asset additions exceeding depreciation and deletions.

In total, liabilities increased by \$661,913 largely the result of deferred revenue increasing by \$575,040. This increase in deferred revenue relates to the timing of property tax receipts and the associated amounts that were available as an advance at the end of the fiscal year. Long-term liabilities consist of compensated absences. This liability decreased as a result of current year severance payments exceeding increases in employees' rate of pay and accumulated leave balances.

Net assets decreased \$1,157,282. The biggest change is in unrestricted net assets. The decrease of \$1,377,762 results from the combination of the above changes in assets and liabilities. Most of these changes are associated with the General Fund whose fund balance reverts to unrestricted net assets on the Statement of Net Assets.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the changes in net assets for fiscal year 2008, and comparisons to fiscal year 2007.

Table 2
Changes in Net Assets

	Governmental Activities		
	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$803,581	\$730,551	\$73,030
Operating Grants, Contributions, and Interest	4,573,936	4,662,661	(88,725)
Capital Grants and Contributions	211,938	273,426	(61,488)
Total Program Revenues	5,589,455	5,666,638	(77,183)
General Revenues			
Property Taxes	6,437,004	8,877,847	(2,440,843)
Grants and Entitlements	12,963,271	11,686,510	1,276,761
Investment Earnings	112,120	135,104	(22,984)
Miscellaneous	181,766	214,019	(32,253)
Total General Revenues	19,694,161	20,913,480	(1,219,319)
Total Revenues	25,283,616	26,580,118	(1,296,502)
Program Expenses			
Instruction			
Regular	10,414,904	10,092,025	322,879
Special	2,559,342	2,800,180	(240,838)
Vocational	1,965,836	1,850,848	114,988
Adult/Continuing	32,918	33,072	(154)
Intervention	82,815	0	82,815
Support Services			
Pupils	967,736	926,253	41,483
Instructional Staff	954,732	938,990	15,742
Board of Education	23,984	18,586	5,398
Administration	1,875,316	1,881,665	(6,349)
Fiscal	715,480	662,109	53,371
Operation and Maintenance of Plant	2,242,375	2,089,893	152,482
Pupil Transportation	2,693,056	2,441,394	251,662
Central	82,731	76,059	6,672
Operation of Non-Instructional Services	1,251,646	1,151,539	100,107
Extracurricular Activities	578,027	562,091	15,936
Total Expenses	26,440,898	25,524,704	916,194
Change in Net Assets	(1,157,282)	1,055,414	(2,212,696)
Net Assets Beginning of Year	8,286,046	7,230,632	1,055,414
Net Assets End of Year	<u>\$7,128,764</u>	<u>\$8,286,046</u>	<u>(\$1,157,282)</u>

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Property taxes made up 25 percent of governmental activities revenues for Switzerland of Ohio Local Schools in fiscal year 2008.

Enrollment is also a factor in the finances of the School District, with enrollment declining over a period of several years. In addition, the School District had a net loss of approximately \$486,540 in open enrollment in fiscal year 2008, which results in local tax dollars going to other school districts.

The School District's direct charges to users of governmental activities made up \$803,581 or 3 percent of total governmental revenues. These charges are from fees for open enrollment, rent, food service operations, and school supply sales. Operating grants, contributions, and interest were the largest program revenues, accounting for \$4,573,936 or 18 percent of total revenues. The major recipients of this revenue were the federal and state grant funds and the food service program whose revenues are comprised of federal and state receipts and commodities received to help support the School District's cafeteria operations.

As can be seen from Table 2, the change in net assets shows a decrease of \$1,157,282. As explained earlier, the largest factor of this decrease in revenue is the result of the changes in property taxes receivable and the related timing of the receipts. The largest Governmental Activities program expense is regular instruction, which comprises 39 percent of expenses. This is also the expense that had the largest change from the prior year – an increase of \$322,879 due to an increase in open enrollment charges from other school district.

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

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
Program Expenses				
Instruction				
Regular	\$10,414,904	\$9,452,838	\$10,092,025	\$8,835,432
Special	2,559,342	1,026,966	2,800,180	1,322,633
Vocational	1,965,836	1,287,720	1,850,848	1,431,028
Adult/Continuing	32,918	(2,199)	33,072	(292)
Intervention	82,815	13,109	0	0
Support Services				
Pupils	967,736	822,987	926,253	796,744
Instructional Staff	954,732	508,101	938,990	490,656
Board of Education	23,984	23,984	18,586	18,586
Administration	1,875,316	1,832,224	1,881,665	1,819,722
Fiscal	715,480	704,182	662,109	655,538
Operation and Maintenance of Plant	2,242,375	2,224,943	2,089,893	1,857,305
Pupil Transportation	2,693,056	2,442,103	2,441,394	2,227,196
Central	82,731	48,503	76,059	7,902
Operation of Non-Instructional Services	1,251,646	141,774	1,151,539	29,469
Extracurricular Activities	578,027	324,208	562,091	366,147
Total	\$26,440,898	\$20,851,443	\$25,524,704	\$19,858,066

The dependence upon tax revenues and unrestricted government subsidies for governmental activities is apparent. Approximately 78 percent of instruction activities are supported primarily by taxes, unrestricted grants and entitlements, and other general revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. In other words, the focus on the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. All governmental funds had total revenues of \$26,026,536 and expenditures of \$26,781,505. The net change in fund balance for the year was most significant in the General Fund, a decrease of \$714,309. This net change indicates that the School District was not able to meet current obligations with current resources. The General Fund's revenues increased by \$188,456 from the previous year. However, the expenditures have increased by \$1,274,229. Open enrollment for students that are leaving the School District is a factor in the increase in regular instruction and an overall increase in salaries and wages contributes to this change. The Permanent Improvement Capital Projects Fund has increased minimally by \$45,619 from the previous year indicating that activity within this fund has remained consistent with the prior year. The change in the remaining governmental funds is reflecting a minimal decrease of \$66,412.

Switzerland of Ohio Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The School District amended its General Fund budget several times during the year. The net change in fund balance resulted in \$480,156 lower than the original estimates. Decreases in estimated revenue for state funding and other intergovernmental revenues comprised \$323,192 of this difference. Also, increases in appropriations for the operation and maintenance of plant and pupil transportation were needed to meet the current operating expenses in these programs.

For the General Fund, budget basis revenues were \$40,192 below final estimates of \$21,909,097. This is a result of very conservative and precise estimates based on the County Auditor's Certification and state funding estimates.

The School District's General Fund ending unobligated fund balance was \$596,450 and was \$289,301 higher than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$8,891,569 invested in land, buildings and improvements, vehicles, and furniture and equipment in governmental activities. See Note 9 for more detailed information of the School District's capital assets.

Economic Factors

Switzerland of Ohio Local School District did not end fiscal year 2008 with a positive cash flow which shows the challenge the administration of the School District has with trying to maintain fiscal accountability. There are some uncontrollable variables that will affect future revenues. Some of these include the elimination of the three year averaging for ADM, accelerated phase out of personal property tax on inventory, state deduction for fees from rollback and homestead funds, reduction of bus subsidy and the net loss of students to other school districts through open enrollment.

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

Contacting the School District's Financial Management

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

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Switzerland of Ohio Local School District
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,050,411
Prepaid Items	83,155
Accounts Receivable	26,409
Intergovernmental Receivable	106,329
Inventory Held for Resale	12,782
Materials and Supplies Inventory	1,641
Property Taxes Receivable	7,037,727
Nondepreciable Capital Assets	891,371
Depreciable Capital Assets, Net	8,000,198
Total Assets	<u>18,210,023</u>
Liabilities	
Matured Compensated Absences Payable	15,940
Accounts Payable	237,924
Accrued Wages and Benefits Payable	1,821,110
Retirement Incentive Payable	50,051
Intergovernmental Payable	675,225
Deferred Revenue	6,456,840
Long-Term Liabilities:	
Due Within One Year	132,830
Due In More Than One Year	1,691,339
Total Liabilities	<u>11,081,259</u>
Net Assets	
Invested in Capital Assets	8,891,569
Restricted for:	
Capital Projects	829,965
Other Purposes	131,342
Bus Purchases	17,108
Unclaimed Monies	5,982
Unrestricted (Deficit)	(2,747,202)
Total Net Assets	<u><u>\$7,128,764</u></u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense)/Revenue 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	\$10,414,904	\$74,901	\$875,350	\$11,815	(\$9,452,838)
Special	2,559,342	1,305	1,531,071	0	(1,026,966)
Vocational	1,965,836	196,741	481,375	0	(1,287,720)
Adult/Continuing	32,918	0	35,117	0	2,199
Intervention	82,815	0	69,706	0	(13,109)
Support Services:					
Pupils	967,736	0	144,749	0	(822,987)
Instructional Staff	954,732	0	446,631	0	(508,101)
Board of Education	23,984	0	0	0	(23,984)
Administration	1,875,316	0	43,092	0	(1,832,224)
Fiscal	715,480	0	946	10,352	(704,182)
Operation and Maintenance of Plant	2,242,375	987	9,786	6,659	(2,224,943)
Pupil Transportation	2,693,056	0	67,841	183,112	(2,442,103)
Central	82,731	0	34,228	0	(48,503)
Operation of Non-Instructional Services	1,251,646	276,542	833,330	0	(141,774)
Extracurricular Activities	578,027	253,105	714	0	(324,208)
Total Governmental Activities	\$26,440,898	\$803,581	\$4,573,936	\$211,938	(20,851,443)
General Revenues					
Property Taxes Levied for:					
					5,992,515
					444,489
Grants and Entitlements not Restricted					
					12,963,271
					112,120
					181,766
					<u>19,694,161</u>
					Change in Net Assets (1,157,282)
					Net Assets Beginning of Year <u>8,286,046</u>
					Net Assets End of Year <u><u>\$7,128,764</u></u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$870,982	\$855,748	\$317,699	\$2,044,429
Materials and Supplies Inventory	0	0	1,641	1,641
Inventory Held for Resale	0	0	12,782	12,782
Accounts Receivable	6,778	0	19,631	26,409
Interfund Receivable	168,170	0	0	168,170
Intergovernmental Receivable	19,200	0	87,129	106,329
Prepaid Items	83,155	0	0	83,155
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	5,982	0	0	5,982
Property Taxes Receivable	6,595,552	442,175	0	7,037,727
Total Assets	<u>\$7,749,819</u>	<u>\$1,297,923</u>	<u>\$438,882</u>	<u>\$9,486,624</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$136,427	\$66,509	\$34,988	\$237,924
Accrued Wages and Benefits Payable	1,558,414	0	262,696	1,821,110
Interfund Payable	0	0	168,170	168,170
Intergovernmental Payable	593,703	0	81,522	675,225
Matured Compensated Absences Payable	15,940	0	0	15,940
Retirement Incentive Payable	50,051	0	0	50,051
Deferred Revenue	6,428,176	428,836	69,072	6,926,084
Total Liabilities	<u>8,782,711</u>	<u>495,345</u>	<u>616,448</u>	<u>9,894,504</u>
Fund Balances				
Reserved for Encumbrances	150,510	54,543	85,225	290,278
Reserved for Unclaimed Monies	5,982	0	0	5,982
Reserved for Bus Purchases	17,108	0	0	17,108
Reserved for Property Taxes	174,656	13,339	0	187,995
Unreserved:				
Undesignated, Reported in:				
General Fund (Deficit)	(1,381,148)	0	0	(1,381,148)
Special Revenue Funds (Deficit)	0	0	(262,791)	(262,791)
Capital Projects Funds	0	734,696	0	734,696
Total Fund Balances (Deficit)	<u>(1,032,892)</u>	<u>802,578</u>	<u>(177,566)</u>	<u>(407,880)</u>
Total Liabilities and Fund Balances	<u>\$7,749,819</u>	<u>\$1,297,923</u>	<u>\$438,882</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. 8,891,569

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

Property Taxes	400,172	
Grants	69,072	
Total	<u>469,244</u>	469,244

Compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. (1,824,169)

Net Assets of Governmental Activities \$7,128,764

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$6,551,070	\$488,729	\$0	\$7,039,799
Intergovernmental	14,284,559	165,233	3,424,577	17,874,369
Interest	112,120	0	930	113,050
Tuition and Fees	243,525	0	0	243,525
Extracurricular Activities	5,910	0	213,731	219,641
Rentals	987	0	0	987
Charges for Services	0	0	339,428	339,428
Gifts and Donations	31,874	0	1,964	33,838
Miscellaneous	62,649	10	99,240	161,899
Total Revenues	<u>21,292,694</u>	<u>653,972</u>	<u>4,079,870</u>	<u>26,026,536</u>
Expenditures				
Current:				
Instruction:				
Regular	9,444,582	26,858	905,741	10,377,181
Special	1,758,931	0	812,892	2,571,823
Vocational	1,898,351	0	58,626	1,956,977
Adult/Continuing	0	0	32,918	32,918
Intervention	0	0	82,815	82,815
Support Services:				
Pupils	803,545	0	152,299	955,844
Instructional Staff	486,661	0	457,835	944,496
Board of Education	23,984	0	0	23,984
Administration	1,839,620	0	45,828	1,885,448
Fiscal	681,750	23,534	1,000	706,284
Operation and Maintenance of Plant	2,166,648	15,138	10,228	2,192,014
Pupil Transportation	2,608,173	310,089	992	2,919,254
Central	0	0	82,346	82,346
Operation of Non-Instructional Services	0	0	1,231,223	1,231,223
Extracurricular Activities	239,940	0	345,383	585,323
Capital Outlay	0	232,734	841	233,575
Total Expenditures	<u>21,952,185</u>	<u>608,353</u>	<u>4,220,967</u>	<u>26,781,505</u>
Excess of Revenues Over (Under) Expenditures	<u>(659,491)</u>	<u>45,619</u>	<u>(141,097)</u>	<u>(754,969)</u>
Other Financing Sources (Use)				
Insurance Recoveries	19,867	0	0	19,867
Transfers In	0	0	74,685	74,685
Transfers Out	(74,685)	0	0	(74,685)
Total Other Financing Sources (Use)	<u>(54,818)</u>	<u>0</u>	<u>74,685</u>	<u>19,867</u>
Net Change in Fund Balances	(714,309)	45,619	(66,412)	(735,102)
Fund Balances (Deficit) Beginning of Year	<u>(318,583)</u>	<u>756,959</u>	<u>(111,154)</u>	<u>327,222</u>
Fund Balances (Deficit) End of Year	<u><u>(\$1,032,892)</u></u>	<u><u>\$802,578</u></u>	<u><u>(\$177,566)</u></u>	<u><u>(\$407,880)</u></u>

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
 Reconciliation of the Changes in Fund Balances of Governmental Funds to Statement of Activities
 For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds (\$735,102)

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

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

	Capital Asset Additions	563,855	
	Current Year Depreciation	<u>(325,653)</u>	238,202

Governmental funds only report the disposal of capital assets to the extent proceeds are received. In the statement of activities, a loss has been reported which represents the net carrying value of the assets at the time of disposal:

(1,322)

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

	Delinquent Property Taxes	(602,795)	
	Grants	<u>(159,992)</u>	(762,787)

Expenses reported in the statement of activities resulting from compensated absences payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

103,727

Change in Net Assets of Governmental Activities (\$1,157,282)

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$7,001,000	\$7,146,601	\$7,130,966	(\$15,635)
Intergovernmental	14,608,900	14,285,708	14,267,731	(17,977)
Interest	130,000	112,556	112,121	(435)
Tuition and Fees	191,000	238,591	238,355	(236)
Rentals	300	937	987	50
Extracurricular Activities	0	5,673	5,910	237
Gifts and Donations	0	15,482	15,447	(35)
Miscellaneous	200,100	103,549	97,388	(6,161)
Total Revenues	22,131,300	21,909,097	21,868,905	(40,192)
Expenditures				
Current:				
Instruction:				
Regular	9,308,541	9,483,744	9,365,554	118,190
Special	1,950,750	1,838,069	1,806,335	31,734
Vocational	1,884,355	1,944,969	1,945,551	(582)
Support Services:				
Pupils	817,570	816,708	800,439	16,269
Instructional Staff	525,330	520,694	499,818	20,876
Board of Education	21,500	23,220	22,955	265
Administration	1,801,251	1,878,723	1,827,272	51,451
Fiscal	654,475	688,908	685,072	3,836
Operation and Maintenance of Plant	2,061,651	2,242,908	2,223,487	19,421
Pupil Transportation	2,565,614	2,700,729	2,681,222	19,507
Extracurricular Activities	245,750	253,000	241,841	11,159
Total Expenditures	21,836,787	22,391,672	22,099,546	292,126
Excess of Revenues Over (Under) Expenditures	294,513	(482,575)	(230,641)	251,934
Other Financing Sources (Uses)				
Transfers In	0	255	0	(255)
Advances In	249,113	249,113	249,113	0
Insurance Recoveries	5,000	19,867	19,867	0
Refund of Prior Year Expenditures	0	5,382	5,455	73
Proceeds from Sale of Capital Assets	800	0	0	0
Other Financing Uses	0	(2,000)	0	2,000
Advances Out	(200,000)	(190,000)	(164,839)	25,161
Transfers Out	(65,000)	(85,073)	(74,685)	10,388
Total Other Financing Sources (Uses)	(10,087)	(2,456)	34,911	37,367
Net Change in Fund Balance	284,426	(485,031)	(195,730)	289,301
Fund Balance Beginning of Year	528,024	528,024	528,024	0
Prior Year Encumbrances Appropriated	264,156	264,156	264,156	0
Fund Balance End of Year	\$1,076,606	\$307,149	\$596,450	\$289,301

See accompanying notes to the basic financial statements

Switzerland of Ohio Local School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$56,363</u></u>
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Liabilities

Undistributed Monies	\$952
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Due to Students	55,411
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Total Liabilities	<u><u>\$56,363</u></u>
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See accompanying notes to the basic financial statements

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Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

Switzerland of Ohio Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and federal agencies.

The School District is the largest in square miles in the state. It is located in Monroe County and portions of Noble and Belmont Counties. The Board of Education controls the School District's thirteen instructional/support facilities staffed by 117 classified employees, 199 certificated full-time teaching personnel/administrative employees who provide services to 2,722 students and other community members. The School District is the 178th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Switzerland of Ohio Local School District, this includes general operations, food service, and student related activities of the School District.

St. Sylvester's School is operated through the Steubenville Catholic Diocese. The parochial school is within the School District boundaries. Current State legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activities of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes due to GASB Statement No. 24.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

The School District participates in four organizations which are defined as jointly governed organizations and one insurance purchasing pool. These organizations are the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Southeastern Ohio Special Education Regional Resource Center (SEO-SERRC), the Coalition of Rural and Appalachian Schools, the Ohio Coalition of Equity and Adequacy of School Funding, and the Ohio School Boards Association Workers' Compensation II Program (Program). Additional information concerning these organizations is presented in Note 16.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

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

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

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

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

C. Measurement Focus

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

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, late June personal property settlement, 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, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

E. Cash and Cash Equivalents

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

During fiscal year 2008, the School District's investment was in STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

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 2008 amounted to \$112,120, which includes \$49,541 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand-five hundred dollars. The School District currently capitalizes land, buildings and improvements, vehicles, and furniture and equipment. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and retirement incentive benefits are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. These amounts are recorded in the accounts "matured compensated absences payable" and "retirement incentive payable" in the fund from which the employees will be paid.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

L. Interfund Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent unclaimed monies.

N. Fund Balance Reserves

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

The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation. The reserve for bus purchases is for State grant funds required to be utilized for the purchase of school buses. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. For fiscal year 2008, the School District did not have any outstanding debt related to capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include instructional and support services activities and resources of state and federal grants restricted for specified purposes. The government-wide statement of net assets reports \$984,397 of restricted net assets of which none have been restricted by enabling legislation.

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

P. Extraordinary and Special Items

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

Q. Estimates

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

R. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds of the School District. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The treasurer has been authorized to further allocate appropriations to the function and object level within each fund. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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

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

Note 3 - Change in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

in accordance with this Statement for both the STRS and the SERS postemployment healthcare plans in the amount of \$18,231, and \$52,190, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 - Accountability

At June 30, 2008, the following funds had deficit fund balances:

	Amount
General Fund	\$1,032,892
Special Revenue Funds:	
Food Service	202,529
Poverty Based Assistance	25,281
IDEA Part B	37,663
Title I	56,492
Miscellaneous Federal Grants	9,660

The deficit in the General Fund was created by the lack of unrestricted resources to cover operations of the fund and also by the adjustment of accrued liabilities. The School District is currently monitoring its financial condition and is taking steps to increase revenues and reduce spending. The deficits in the special revenue funds are due to adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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 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).

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3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash adjustments represent amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.
5. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Net Change in Fund Balance

GAAP Basis	(\$714,309)
Net Adjustment for Revenue Accruals	573,477
Fiscal Year 2008 Unreported Cash	(17)
Fiscal Year 2007 Unreported Cash	18
Fiscal Year 2008 Prepaid Items	83,155
Fiscal Year 2007 Prepaid Items	(58,140)
Net Adjustment for Expenditure Accruals	116,309
Advances In	249,113
Advances Out	(164,839)
Encumbrances	<u>(280,497)</u>
Budget Basis	<u><u>(\$195,730)</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end \$312,709 of the School District's bank balance of \$512,709, including the payroll account balance of \$115,026, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2008, the School District had an investment in STAROhio. The fair value of the STAROhio investment was \$1,800,528 and the investment has an average maturity of 53.8 days.

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

Credit Risk. Star Ohio 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.

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represent collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected in 2008 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 2008 (other than public utility property tax) represents the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. 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 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments made by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Monroe, Belmont and Noble Counties. The County Auditors periodically advance to the School District its portion of taxes collected. Second-half real property tax payments collected by the County by June 30, 2008 are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Switzerland of Ohio Local School District
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Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, 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 and the late June personal property settlement 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, 2008, \$163,789 was available as an advance in the General Fund and \$12,571 was available to the Permanent Improvement Capital Projects Fund. The late June personal property settlement at June 30, 2008 was \$10,867 in the General Fund and \$768 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2007, was \$754,552 in the General Fund and \$55,965 was available to 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 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$220,714,080	72.43%	\$232,080,850	76.76%
Public Utility Personal	49,889,210	16.37%	47,614,530	15.75%
General Business Personal	34,132,701	11.20%	22,631,642	7.49%
Total	\$304,735,991	100.00%	\$302,327,022	100.00%
Tax rate per \$1,000 of assessed valuation	\$37.90		\$37.90	

Note 8 - Receivables

Receivables at June 30, 2008, consisted of property taxes, accounts (rent, student fees and tuition), intergovernmental, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

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	Amounts
Governmental Activities:	
School Bus Reimbursement	\$17,108
BWC Refund	908
Virtual Learning Refund	210
Medicaid Reimbursement	974
Title II-A Grant	55,446
Drug Free Grant	1,048
Title V	4,582
Secondary Grant	13,861
ABLE Grant	10,495
Title VII-D	1,697
Total	\$106,329

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Nondepreciable Capital Assets				
Land	\$891,371	\$0	\$0	\$891,371
Depreciable Capital Assets				
Buildings and Improvements	13,060,551	188,849	0	13,249,400
Vehicles	3,306,175	335,313	0	3,641,488
Furniture and Equipment	3,891,856	39,693	(58,400)	3,873,149
Total Capital Assets Being Depreciated	20,258,582	563,855	(58,400)	20,764,037
Less Accumulated Depreciation:				
Buildings and Improvements	(8,367,582)	(169,433)	0	(8,537,015)
Vehicles	(1,515,345)	(119,282)	0	(1,634,627)
Furniture and Equipment	(2,612,337)	(36,938)	57,078	(2,592,197)
Total Accumulated Depreciation	(12,495,264)	(325,653) *	57,078	(12,763,839)
Total Capital Assets Being Depreciated, Net	7,763,318	238,202	(1,322)	8,000,198
Governmental Activities Capital Assets, Net	\$8,654,689	\$238,202	(\$1,322)	\$8,891,569

* Depreciation expense was charged to governmental functions as follows:

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Instruction:	
Regular	\$76,364
Special	16,943
Vocational	18,236
Support Services:	
Pupils	6,382
Instructional Staff	6,777
Administration	11,148
Fiscal	1,694
Operation and Maintenance of Plant	24,842
Pupil Transportation	144,025
Central	1,694
Operation of Non-Instructional Services	17,548
Total Governmental Depreciation	<u><u>\$325,653</u></u>

Note 10 - Interfund Balances and Transfers

A. Interfund Balances

The General Fund has an interfund receivable in the amount of \$168,170. This receivable is the result of loans made to the following nonmajor governmental funds:

<u>Special Revenue Funds:</u>	<u>Interfund</u>
	<u>Payable</u>
Food Service	\$146,782
Miscellaneous Local Funds Grants	77
Miscellaneous State Grants	2,054
Miscellaneous Federal Grants	19,257
Total Nonmajor Governmental Funds	<u><u>\$168,170</u></u>

The loans were issued until the state and federal grant funding is received. These advances will be repaid in fiscal year 2009.

B. Interfund Transfers

During fiscal year 2008, the School District recorded transfers in the following funds:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$0	\$74,685
Miscellaneous State Grants Fund	74,685	0
Total	<u><u>\$74,685</u></u>	<u><u>\$74,685</u></u>

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

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Notes to the Basic Financial Statements
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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 2008 the School District purchased the following coverage:

<u>Indiana Insurance</u>		
Fleet Insurance:		
Liability	\$1,000,000	any one accident
Auto Medical Payments	\$5,000	any one accident
Uninsured Motorists	\$1,000,000	any one accident
Physical Damage Comprehensive	actual cash value	\$250 deductible
Physical Damage Collision	actual cash value	\$250 deductible
Commercial Property	\$52,915,156	
Equipment Breakdown	\$25,000 - \$100,000	
Contractors' Equipment Coverage	\$10,813	\$500 deductible
Commercial General Liability	\$1,000,000	each occurrence
Employers Stop Gap Liability	\$1,000,000	each occurrence
School Leaders Errors and Omissions Liability	\$1,000,000	\$5,000 deductible
Sexual Misconduct and Molestation Liability	\$1,000,000	each occurrence
<u>Westfield Insurance Company</u>		
Commercial Crime Coverage	\$10,000	No deductible
Crime and Fidelity Coverage	\$2,500	\$500 deductible
<u>Allstate</u>		
Flood Insurance	\$38,300-\$375,200	\$500-\$1,000 deductible
<u>Ohio Farmers Insurance Company</u>		
Superintendent Bond	\$20,000	
Treasurer Bond	\$25,000	

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

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group II Program (Program), an insurance purchasing pool (Note 16). In an effort to assist the participants currently not eligible to participate in the Ohio School Boards Association Workers' Compensation Group Rating Program, OSBA and its administrator have developed a program to assist the School District to manage workers' compensation costs to potentially improve the School District's current workers' compensation program. The goal of the Program is to help the School District return to the OSBA Group Rating Program. The firm of Gates McDonald (administrator) provides certain administrative, actuarial, cost control, claims management, and consulting services to the School District.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who are not on a twelve-month contract do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation is limited to 255 days. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation.

B. Insurance Benefits

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

The School District has contracted with Anthem Blue Cross/Blue Shield Insurance Company to provide employee health, prescription, and dental benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for health and prescription benefits. For fiscal year 2008, the School District paid ninety percent of the premiums for health and prescription and employees paid ten percent. The premium for dental coverage was funded entirely by the School District.

The School District has contracted with Vision Service Plan to provide employee vision benefits. Rates are set through an annual calculation process. The employee shares the cost of the monthly premium with the Board for vision benefits. For fiscal year 2008, the School District paid ninety percent of the premium and the employees paid ten percent.

C. Retirement Incentive Payable

The School District's negotiated agreement with the Switzerland of Ohio Education Association provides for payment of one-half of total accumulated sick leave to any certificated staff who is covered under their contract and retires in the first year that they become eligible to receive benefits from the State Teachers Retirement System. Any certificated staff covered under this contract who retires at any other time is eligible to receive one-fourth of their accumulated sick leave. At June 30, 2008, there was a liability of \$50,051 for this benefit payable in fiscal year 2009.

Note 13 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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

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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 43215-3746.

Funding Policy - 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$251,092, \$284,209, and \$285,006 respectively; 43.35 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, 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 a member's lifetime 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent

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was the portion used to fund pension obligations. For fiscal year 2007, 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, 2008, 2007, and 2006 were \$1,211,687, \$1,267,877, and \$1,297,634 respectively; 84.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$18,765 made by the School District and \$24,934 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their Beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$177,937, \$151,199, and \$140,005 respectively; 38.90 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$18,729, \$19,380, and \$16,485 respectively; 45.28 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$93,207, \$97,529, and \$99,818 respectively; 84.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 15 - Long-Term Obligation

Compensated absences were the School District's only long-term obligation as of June 30, 2008. Changes in this obligation during the year is as follows:

	Outstanding			Amounts	
	06/30/07	Additions	Reductions	Outstanding 06/30/07	Due Within One Year
Governmental Activities:					
Compensated Absences	\$1,927,896	\$298,061	(\$401,788)	\$1,824,169	\$132,830

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

Note 16 - Jointly Governed Organizations and Insurance Purchasing Pool

A. Jointly Governed Organizations

The **Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)** was created as a regional council of governments pursuant to State statutes. OME-RESA's participants consist of school districts and

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educational service centers. OME-RESA provides financial accounting services, educational management information, legal services, and cooperative purchasing services to member districts. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a governing board which is selected by the member districts. Each district has one vote in all matters, and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the governing board. OME-RESA has no outstanding debt. During fiscal year 2008, the School District paid \$61,040 to OME-RESA.

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

The **Coalition of Rural and Appalachian Schools** is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. The board members consist of one member elected and one member appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from the Ohio University College of Education. The Coalition provides various in-service functions for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2008, the School District paid \$300 to the Coalition.

The **Ohio Coalition of Equity and Adequacy of School Funding** is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2008, the School District paid \$1,378 to the Coalition.

B. Insurance Purchasing Pool

The School District participates in the Ohio Association of School Boards Association Workers' Compensation II Program (Program), an insurance purchasing pool. The School District's enrollment fee for fiscal year 2008 was \$1,700.

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

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

Note 18 - Set-Asides

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may, at the discretion of the board, be returned to the school district's general fund or may be left in the account and used by the board to offset any budget deficit the school district may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. In prior years, the Board of Education authorized the expenditure of the budget reserve amount pursuant to State statute, and as a result no budget reserve exists at June 30, 2008.

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

	Textbooks	Capital Improvements
Set-aside reserve balance as of June 30, 2007	(\$2,517,873)	\$0
Current year set-aside requirement	422,920	422,920
Current year offsets	(303,261)	(407,867)
Qualifying disbursements	(361,843)	(15,053)
Total	(\$2,760,057)	\$0
Set-aside balance carried forward to future fiscal years	(\$2,760,057)	\$0
Set-aside reserve balance as of June 30, 2008	(\$2,760,057)	\$0

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

Switzerland of Ohio Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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>						
Child Nutrition Cluster:						
School Breakfast Program	2007 / 2008	10.553	\$300,598		\$300,598	
National School Lunch Program	2007 / 2008	10.555				
Cash Assistance			535,931		535,931	
Non-Cash Assistance				24,509		24,509
Total Child Nutrition Cluster			<u>836,529</u>	<u>24,509</u>	<u>836,529</u>	<u>24,509</u>
Total U.S. Department of Agriculture			836,529	24,509	836,529	24,509
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education - Basic Grants to States	2006 2007 2008	84.002	229 43,854 <u>44,083</u>		4,364 9,013 <u>60,802</u>	<u>0</u>
Total Adult Education - Basic Grants to States			44,083	0	74,179	0
Title I Grants to Local Educational Agencies	2007 2008	84.010	(52,433) <u>707,356</u>		2,808 <u>683,115</u>	<u>0</u>
Total Title I Grants to Local Educational Agencies			654,923	0	685,923	0
Special Education - Grants to States	2007 2008	84.027	(4,027) <u>707,687</u>		18,837 <u>703,851</u>	<u>0</u>
Total Special Education - Grants to States			703,660	0	722,688	0
Career and Technical Education - Basic Grants to States	2007 2008	84.048	540 <u>37,000</u>		7,946 <u>31,111</u>	<u>0</u>
Total Career and Technical Education - Basic Grants to States			37,540	0	39,057	0
Safe and Drug-Free Schools and Communities - State Grants	2006 2007 2008	84.186	(35) 3,412 <u>14,953</u>		418 6,458 <u>10,548</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities - State Grants			18,330	0	17,424	0
Javits Gifted and Talented Students Education Grant Program	2008	84.206	4,777		3,930	
State Grants for Innovative Programs	2007 2008	84.298	(707) <u>4,496</u>		104 <u>3,678</u>	<u>0</u>
Total State Grants for Innovative Programs			3,789	0	3,782	0
Education Technology State Grants	2007 2008	84.318	(2,396) <u>8,163</u>		6,577 <u>6,577</u>	<u>0</u>
Total Education Technology State Grants			5,767	0	6,577	0
Improving Teacher Quality State Grants	2007 2008	84.367	(16,335) <u>193,440</u>		185,897 <u>185,897</u>	<u>0</u>
Total Improving Teacher Quality State Grants			177,105	0	185,897	0
Total U.S. Department of Education			<u>1,649,974</u>	<u>0</u>	<u>1,739,457</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$2,486,503</u>	<u>\$24,509</u>	<u>\$2,575,986</u>	<u>\$24,509</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, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D – TRANSFERS

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

CFDA Number	Grant Year	Transfers-In	Transfers-Out
84.010	2007		\$52,433
84.010	2008	\$52,433	
84.027	2007		4,027
84.027	2008	4,027	
84.186	2006		35
84.186	2007		215
84.186	2008	250	
84.298	2007		707
84.298	2008	707	
84.318	2007		2,396
84.318	2008	2,396	
84.367	2007		16,335
84.367	2008	16,335	



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 the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted certain matters that we reported to the School District's management in a separate letter dated January 27, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated January 27, 2009.

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. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 27, 2009



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 the Switzerland of Ohio Local School District, Monroe County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Switzerland of Ohio Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008. In a separate letter to the School District's management dated January 27, 2009, we reported another matter related to federal noncompliance not requiring inclusion in this report.

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Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

January 27, 2009

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control 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 reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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):	Child Nutrition Cluster, C.F.D.A. #10.553 and 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
FEBRUARY 26, 2009