



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
General-Purpose Financial Statements	
Combined Balance Sheet – All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Fund Types and Expendable Trust Funds .....	7
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) .....	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings -- All Proprietary Fund Types.....	10
Combined Statement of Cash Flows – All Proprietary Fund Types .....	11
Notes to the General-Purpose Financial Statements .....	13
Schedule of Federal Awards Expenditures .....	35
Notes to Schedule of Federal Awards Expenditures .....	36
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing</i> Standards.....	37
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	39
Schedule of Findings.....	41
Schedule of Prior Year Findings .....	43

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Southwest Local School District  
Hamilton County  
230 South Elm Street  
Harrison, OH 45030

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Southwest Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 December 20, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 20, 2002

**This page intentionally left blank.**

Southwest Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
Equity in Pooled Cash and Investments	\$8,556,049	\$275,829	\$1,262,300	\$4,914,915
Restricted Equity in Pooled Cash and Investments	177,561	0	0	0
<b>Receivables:</b>				
Taxes	9,544,020	0	1,816,646	264,149
Intergovernmental	0	68,414	0	0
Accounts	251	1,601	0	0
Inventory	0	0	0	0
Fixed Assets ( Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
<b>Total Assets &amp; Other Debits</b>	<b>\$18,277,881</b>	<b>\$345,844</b>	<b>\$3,078,946</b>	<b>\$5,179,064</b>
<b>Liabilities, Fund Equity &amp; Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$44,773	\$11,672	\$0	\$840
Accrued Wages & Benefits	2,254,490	89,800	0	0
Compensated Absences Payable	254,545	0	0	0
Deferred Revenue	7,696,832	68,414	1,391,052	207,424
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>10,250,640</b>	<b>169,886</b>	<b>1,391,052</b>	<b>208,264</b>
<b>Fund Equity &amp; Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
<b>Retained Earnings:</b>				
Unreserved	0	0	0	0
<b>Fund Balance:</b>				
Reserved for Encumbrances	61,215	27,589	0	452,651
Reserved for Property Tax Advances	1,847,025	0	425,594	56,725
Reserved for Set-Asides	177,561	0	0	0
Unreserved & Undesignated	5,941,440	148,369	1,262,300	4,461,424
<b>Total Fund Equity &amp; Other Credits</b>	<b>8,027,241</b>	<b>175,958</b>	<b>1,687,894</b>	<b>4,970,800</b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b>\$18,277,881</b>	<b>\$345,844</b>	<b>\$3,078,946</b>	<b>\$5,179,064</b>

See accompanying notes



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$298,432	\$0	\$627,994	\$0	\$0	\$15,935,519
0	0	0	0	0	177,561
0	0	0	0	0	11,624,815
35,437	0	0	0	0	103,851
1,137	0	0	0	0	2,989
20,731	0	0	0	0	20,731
318,587	0	0	42,935,650	0	43,254,237
0	0	0	0	1,687,894	1,687,894
0	0	0	0	21,509,070	21,509,070
<u>\$674,324</u>	<u>\$0</u>	<u>\$627,994</u>	<u>\$42,935,650</u>	<u>\$23,196,964</u>	<u>\$94,316,667</u>
\$2,299	\$0	\$2,936	\$0	\$0	\$62,520
82,910	0	0	0	137,260	2,564,460
5,547	0	0	0	1,334,712	1,594,804
14,364	0	0	0	0	9,378,086
0	0	59,320	0	0	59,320
0	0	0	0	21,724,992	21,724,992
<u>105,120</u>	<u>0</u>	<u>62,256</u>	<u>0</u>	<u>23,196,964</u>	<u>35,384,182</u>
0	0	0	42,935,650	0	42,935,650
569,204	0	0	0	0	569,204
0	0	245	0	0	541,700
0	0	0	0	0	2,329,344
0	0	0	0	0	177,561
0	0	565,493	0	0	12,379,026
<u>569,204</u>	<u>0</u>	<u>565,738</u>	<u>42,935,650</u>	<u>0</u>	<u>58,932,485</u>
<u>\$674,324</u>	<u>\$0</u>	<u>\$627,994</u>	<u>\$42,935,650</u>	<u>\$23,196,964</u>	<u>\$94,316,667</u>

**This Page Intentionally Left Blank**

Southwest Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$9,635,594	\$0	\$1,890,543	\$273,109	\$0	\$11,799,246
Intergovernmental	13,409,045	1,029,270	191,649	86,038	0	14,716,002
Investment	341,259	1,833	0	206,949	0	550,041
Tuition & Fees	66,027	0	0	0	0	66,027
Extracurricular Activities	0	190,332	0	0	0	190,332
Miscellaneous	33,357	172,811	0	0	645,962	852,130
<b>Total Revenues</b>	<b>23,485,282</b>	<b>1,394,246</b>	<b>2,082,192</b>	<b>566,096</b>	<b>645,962</b>	<b>28,173,778</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	11,934,863	207,854	0	151,371	819	12,294,907
Special	1,704,806	396,995	0	0	0	2,101,801
Vocational	246,689	0	0	0	0	246,689
Other	75,142	0	0	0	0	75,142
<b>Support Services:</b>						
Pupils	791,581	188,999	0	0	10,679	991,259
Instructional Staff	943,043	204	0	0	0	943,247
Board of Education	63,855	0	0	0	0	63,855
Administration	2,304,756	148,907	3,895	532	0	2,458,090
Fiscal	510,812	0	25,214	3,704	0	539,730
Operation & Maintenance of Plant	2,638,427	13,366	0	7,957	0	2,659,750
Pupil Transportation	1,516,069	2,415	0	0	0	1,518,484
Central	16,700	2,298	0	0	80,000	98,998
Operation of Non-Instructional Services	0	292,399	0	0	0	292,399
Extracurricular Activities	376,505	190,482	0	0	0	566,987
Capital Outlay	54,421	0	0	7,084,764	0	7,139,185
<b>Debt Service:</b>						
Principal Retirement	0	0	840,000	0	0	840,000
Interest & Fiscal Charges	0	0	1,079,700	0	0	1,079,700
<b>Total Expenditures</b>	<b>23,177,669</b>	<b>1,443,919</b>	<b>1,948,809</b>	<b>7,248,328</b>	<b>91,498</b>	<b>33,910,223</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>307,613</b>	<b>(49,673)</b>	<b>133,383</b>	<b>(6,682,232)</b>	<b>554,464</b>	<b>(5,736,445)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	4,783	0	0	0	0	4,783
<b>Total Other Financing Sources (Uses)</b>	<b>4,783</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,783</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>312,396</b>	<b>(49,673)</b>	<b>133,383</b>	<b>(6,682,232)</b>	<b>554,464</b>	<b>(5,731,662)</b>
<b>Fund Balance, Beginning of Year</b>	<b>7,714,845</b>	<b>225,631</b>	<b>1,554,511</b>	<b>11,653,032</b>	<b>11,274</b>	<b>21,159,293</b>
<b>Fund Balance, End of Year</b>	<b>\$8,027,241</b>	<b>\$175,958</b>	<b>\$1,687,894</b>	<b>\$4,970,800</b>	<b>\$565,738</b>	<b>\$15,427,631</b>

See accompanying notes

Southwest Local School District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 All Governmental Fund Types  
 For the Year Ended June 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$9,612,036	\$9,612,036	\$0	\$0	\$0	\$0
Intergovernmental	12,489,091	13,409,045	919,954	1,027,473	1,029,270	1,797
Investment	406,259	341,259	(65,000)	1,971	1,833	(138)
Tuition & Fees	66,027	66,027	0	0	0	0
Extracurricular Activities	0	0	0	184,648	191,249	6,601
Miscellaneous	33,277	33,277	0	171,185	175,189	4,004
<b>Total Revenues</b>	<b>22,606,690</b>	<b>23,461,644</b>	<b>854,954</b>	<b>1,385,277</b>	<b>1,397,541</b>	<b>12,264</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	11,921,796	11,921,796	0	214,906	214,906	0
Special	1,679,682	1,679,682	0	396,871	396,871	0
Vocational	253,558	253,558	0	0	0	0
Other	76,672	76,672	0	0	0	0
<b>Support Services:</b>						
Pupils	789,854	789,854	0	189,314	189,314	0
Instructional Staff	948,202	948,202	0	483	483	0
Board of Education	63,855	63,855	0	0	0	0
Administration	2,286,142	2,286,142	0	153,087	153,087	0
Fiscal	507,439	507,439	0	0	0	0
Operation & Maintenance of Plant	2,629,913	2,629,913	0	13,366	13,366	0
Pupil Transportation	1,504,069	1,504,069	0	2,415	2,415	0
Central	16,700	16,700	0	2,298	2,298	0
Operation of Non-Instructional Services	0	0	0	294,088	294,088	0
Extracurricular Activities	381,758	381,758	0	208,721	208,721	0
Capital Outlay	54,421	54,421	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>23,114,061</b>	<b>23,114,061</b>	<b>0</b>	<b>1,475,549</b>	<b>1,475,549</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues Over Under Expenditures</b>	<b>(507,371)</b>	<b>347,583</b>	<b>854,954</b>	<b>(90,272)</b>	<b>(78,008)</b>	<b>12,264</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets	4,783	4,783	0	0	0	0
Operating Transfers In	0	0	0	352	352	0
Operating Transfers Out	0	0	0	(352)	(352)	0
<b>Total Other Financing Sources (Uses)</b>	<b>4,783</b>	<b>4,783</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing U:</b>	<b>(502,588)</b>	<b>352,366</b>	<b>854,954</b>	<b>(90,272)</b>	<b>(78,008)</b>	<b>12,264</b>
<b>Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)</b>	<b>8,285,558</b>	<b>8,285,558</b>	<b>0</b>	<b>314,962</b>	<b>314,962</b>	<b>0</b>
<b>Fund Balance, End of Year</b>	<b>\$7,782,970</b>	<b>\$8,637,924</b>	<b>\$854,954</b>	<b>\$224,690</b>	<b>\$236,954</b>	<b>\$12,264</b>

See accompanying notes

<u>Debt Service</u>			<u>Capital Projects</u>			<u>Totals (Memorandum Only)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
\$1,894,109	\$1,894,175	\$66	\$272,163	\$272,176	\$13	\$11,778,308	\$11,778,387	\$79
100,577	191,649	91,072	74,041	86,038	11,997	13,691,182	14,716,002	1,024,820
0	0	0	210,000	206,949	(3,051)	618,230	550,041	(68,189)
0	0	0	0	0	0	66,027	66,027	0
0	0	0	0	0	0	184,648	191,249	6,601
0	0	0	0	0	0	204,462	208,466	4,004
<b>1,994,686</b>	<b>2,085,824</b>	<b>91,138</b>	<b>556,204</b>	<b>565,163</b>	<b>8,959</b>	<b>26,542,857</b>	<b>27,510,172</b>	<b>967,315</b>
0	0	0	151,921	151,921	0	12,288,623	12,288,623	0
0	0	0	0	0	0	2,076,553	2,076,553	0
0	0	0	0	0	0	253,558	253,558	0
0	0	0	0	0	0	76,672	76,672	0
0	0	0	0	0	0	979,168	979,168	0
0	0	0	0	0	0	948,685	948,685	0
0	0	0	0	0	0	63,855	63,855	0
3,895	3,895	0	532	532	0	2,443,656	2,443,656	0
25,214	25,214	0	3,704	3,704	0	536,357	536,357	0
0	0	0	7,957	7,957	0	2,651,236	2,651,236	0
0	0	0	0	0	0	1,506,484	1,506,484	0
0	0	0	0	0	0	18,998	18,998	0
0	0	0	0	0	0	294,088	294,088	0
0	0	0	0	0	0	590,479	590,479	0
0	0	0	7,536,865	7,536,865	0	7,591,286	7,591,286	0
840,000	840,000	0	0	0	0	840,000	840,000	0
1,079,700	1,079,700	0	0	0	0	1,079,700	1,079,700	0
<b>1,948,809</b>	<b>1,948,809</b>	<b>0</b>	<b>7,700,979</b>	<b>7,700,979</b>	<b>0</b>	<b>34,239,398</b>	<b>34,239,398</b>	<b>0</b>
45,877	137,015	91,138	(7,144,775)	(7,135,816)	8,959	(7,696,541)	(6,729,226)	967,315
0	0	0	0	0	0	4,783	4,783	0
0	0	0	0	0	0	352	352	0
0	0	0	0	0	0	(352)	(352)	0
0	0	0	0	0	0	4,783	4,783	0
45,877	137,015	91,138	(7,144,775)	(7,135,816)	8,959	(7,691,758)	(6,724,443)	967,315
1,125,257	1,125,287	30	11,597,241	11,597,241	0	21,323,018	21,323,048	30
<b>\$1,171,134</b>	<b>\$1,262,302</b>	<b>\$91,168</b>	<b>\$4,452,466</b>	<b>\$4,461,425</b>	<b>\$8,959</b>	<b>\$13,631,260</b>	<b>\$14,598,605</b>	<b>\$967,345</b>

**Southwest Local School District  
 Combined Statement of Revenues, Expenses  
 And Changes in Retained Earnings  
 All Proprietary Fund Types  
 For the Year Ended June 30, 2002**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	
<b>Operating Revenues:</b>			
Charges for Services	<u>\$937,222</u>	<u>\$0</u>	<u>\$937,222</u>
<b>Total Operating Revenues</b>	<u>937,222</u>	<u>0</u>	<u>937,222</u>
<b>Operating Expenses:</b>			
Salaries	437,220	0	437,220
Fringe Benefits	153,598	0	153,598
Purchased Services	19,565	2,311	21,876
Materials & Supplies	890,430	0	890,430
Depreciation	21,161	0	21,161
Other Operating Expenses	<u>3,216</u>	<u>0</u>	<u>3,216</u>
<b>Total Operating Expenses</b>	<u>1,525,190</u>	<u>2,311</u>	<u>1,527,501</u>
<b>Operating Loss</b>	<u>(587,968)</u>	<u>(2,311)</u>	<u>(590,279)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment Revenue	3,878	0	3,878
Miscellaneous Revenue	325,911	0	325,911
Donated Commodities	77,892	0	77,892
Operating Grants - State & Local	19,146	0	19,146
Operating Grants - Federal	244,822	0	244,822
Proceeds from Sale of Fixed Assets	<u>650</u>	<u>0</u>	<u>650</u>
<b>Total Non-Operating Revenues</b>	<u>672,299</u>	<u>0</u>	<u>672,299</u>
<b>Net Income (Loss)</b>	<u>84,331</u>	<u>(2,311)</u>	<u>82,020</u>
<b>Retained Earnings Restated, Beginning of Year</b>	<u>484,873</u>	<u>2,311</u>	<u>487,184</u>
<b>Retained Earnings, End of Year</b>	<u>\$569,204</u>	<u>\$0</u>	<u>\$569,204</u>

See accompanying notes

**Southwest Local School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Year Ended June 30, 2002**

	<b>Proprietary Fund Types</b>		<b>Totals (Memorandum only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Charges for Services	\$937,084	\$0	\$937,084
Cash Payments for Personal Services	(585,679)	0	(585,679)
Cash Payments for Contract Services	(19,565)	(2,311)	(21,876)
Cash Payments for Supplies & Materials	(810,896)	0	(810,896)
Cash Payments for Other Expenses	(3,216)	0	(3,216)
<b>Net Cash Used by Operating Activities</b>	<b>(482,272)</b>	<b>(2,311)</b>	<b>(484,583)</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash Received from Operating Grants	257,546	0	257,546
Cash Received from Investment Earnings	3,878	0	3,878
Cash Received from Miscellaneous Sources	325,911	0	325,911
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>587,335</b>	<b>0</b>	<b>587,335</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Cash Received from Sale of Fixed Assets	650	0	650
Acquisition of Capital Assets	(63,498)	0	(63,498)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(62,848)</b>	<b>0</b>	<b>(62,848)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>42,215</b>	<b>(2,311)</b>	<b>39,904</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>256,217</b>	<b>2,311</b>	<b>258,528</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$298,432</b>	<b>\$0</b>	<b>\$298,432</b>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>			
Operating Loss	(\$587,968)	(\$2,311)	(\$590,279)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:</b>			
Depreciation	21,161	0	21,161
Donated Commodities Used	77,892	0	77,892
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivables	(138)	0	(138)
(Increase) Decrease in Materials & Supplies Inventory	(3,954)	0	(3,954)
Increase (Decrease) in Accounts Payable	2,279	0	2,279
Increase (Decrease) in Accrued Wages & Benefits	(408)	0	(408)
Increase (Decrease) in Compensated Absences Payable	5,547	0	5,547
Increase (Decrease) in Deferred Revenue	3,317	0	3,317
<b>Net Cash Used by Operating Activities</b>	<b>(\$482,272)</b>	<b>(\$2,311)</b>	<b>(\$484,583)</b>

See accompanying notes

**This Page Intentionally Left Blank**



**SOUTHWEST LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**NOTE A--DESCRIPTION OF THE DISTRICT**

The District was formed in 1954 with the consolidation of Harrison, Crosby and Whitewater School Districts. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 241 non-certificated personnel and 147 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District enrollment for October 2001 was 4,037. The District cost per pupil for fiscal year 2001 was \$6,436. It currently operates six elementary schools, one junior school (grades 7-8), and one comprehensive high school (grades 9-12).

**NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 District's significant accounting policies are described below.

**THE REPORTING ENTITY**

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. Potential component units were considered for inclusion in the financial statements. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appointed a voting majority of the organization's governing body AND (a) was able to impose its will on that organization OR (b) there was a potential for the organization to provide specific financial burdens on the District; OR

2. The organization was fiscally dependent upon the District; OR
3. The nature of the relationship between the district and the organization was such that the exclusion from the financial reporting entity would render the financial statements of the District misleading.

The District included no component units in the financial statements.

This School District is associated with two organizations which are defined as jointly governed organizations. These organizations are described in Note N to the Financial Statements and include the Hamilton/Clermont Cooperative Association and Great Oaks Institute of Technology.

## BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the District:

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

### General Fund

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

### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

### Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Ohio Law.

## Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Funds - Proprietary Funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following are the District's Proprietary Fund Types:

### Enterprise Funds

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

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost reimbursement basis.

Fiduciary Funds - Fiduciary Funds are used to account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets in equal liabilities) and do not involve measurement of results of operations.

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

### General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in Proprietary Funds and Trust Funds.

### General Long Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, except those accounted for in Proprietary Funds and Trust Funds.

## MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement Focus: Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or "financial flow," measurement focus. Governmental Fund Types and Expendable Trust Funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources. The District considers current unpaid contractually required pension contributions as a current liability (governmental fund liability) because the liability is expected to be liquidated with available expendable resources.

Proprietary Fund Types are accounted for on a cost of services, or "capital maintenance," measurement focus. Proprietary Fund Type income statements represent increases and decreases in net total assets.

Basis of Accounting: The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance liabilities of the current period. The District considers new revenue available if they are collected within 60 days after fiscal year end. Revenue accrued at the end of the fiscal year using the 60 day availability criteria included delinquent property taxes, interest, tuition, and state and federal grants. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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 sixty days of year-end.

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

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

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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before 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.

## BUDGETARY DATA

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type of expenditure function and revenue by source are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the board-adopted budget is filed with the Hamilton County Budget Commission for tax rate determination.

Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.

By July 1, annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.)

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations must be approved by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund.

## ENCUMBRANCES

Encumbrance accounting is utilized by District Funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP basis and for all budgeted funds as the equivalent of expenditures/ expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note L provides a reconciliation of the GAAP basis and budgetary basis of accounting.

## CASH AND INVESTMENTS

Cash received by the District is deposited in bank accounts with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase investments.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to Special Revenue, Capital Projects, Enterprise and those funds individually authorized by Board resolution.

Investment earnings are allocated to these funds based on average monthly cash balances. Investment income earned in fiscal 2002 totaled \$553,919.

For purposes of the combined statement of cash flows, the proprietary fund types' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from these funds without prior notice or penalty.

Investments in repurchase agreements are valued at cost because they had a maturity of one year or less at time of purchase. Government securities are valued at fair value.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. 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 STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

## RESTRICTED POOLED CASH AND INVESTMENTS

Restricted assets in the general fund represent cash and investments set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

## INVENTORY (MATERIALS AND SUPPLIES)

Inventories are valued at lower of cost (First-in, First-out) or market and are determined by physical count. Inventories are expensed when used.

## FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than 3 years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.

Proprietary Funds - Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Improvements other than Buildings	10 to 20
Furniture, Fixtures and Equipment	5 to 20



## INTERFUND TRANSACTIONS

During the course of normal operations the District has numerous transactions between funds. The most significant include:

Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.

Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

## COMPENSATED ABSENCES

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-certificated</u>
How earned	Not Eligible	20 days	2-25 days for each Service year depending on length of service
Maximum Accumulation	Not Applicable	20 days	25 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	None	None
<u>Sick Leave</u>	<u>Certified</u>	<u>Administers</u>	<u>Non-certificated</u>
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	270 days	270 days	275 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective proprietary fund.

## LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

## FUND EQUITY

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property tax advances and set-asides. The reserve represents property taxes available for advance and not received as they are intended to finance activities of FY 2003. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purpose of those funds.

## MEMORANDUM ONLY-TOTAL COLUMNS

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

## AUTHORITATIVE SOURCES

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

## NOTE C--EQUITY IN POOLED CASH & INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments." State Statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies - Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies - 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. Ohio law permits interim monies to be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end the carrying amount of the District's deposits was \$773,604. The bank balance of deposits was \$1,539,412. Of the bank balance \$239,412 was covered by federal depository insurance and the remaining balance was covered by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end. CATEGORY 1 includes investments that are issued or registered or for which the securities are held by the District or its agent in the District's name. CATEGORY 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. CATEGORY 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at June 30, 2002 are classified as follows:

	Category 1	Category 2	Category 3	Carrying Amount/ Fair Value
State Treasury Pool*	\$ -0-	\$ -0-	\$ -0-	\$ 8,879,136
Government Securities		3,459,348		3,459,348
Repurchase Agreements			3,000,992	3,000,992
<b>TOTAL</b>	<b>\$ -0-</b>	<b>\$3,459,348</b>	<b>\$3,000,992</b>	<b>\$15,339,476</b>

\*The District's investment in the Ohio State Treasurer's pool is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

#### **NOTE D--PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed values, by property classification, upon which taxes collected in 2002 were based are as follows:

Real estate	\$325,648,130
Tangible personal	<u>73,689,857</u>
Total assessed property value	<u>\$399,337,987</u>

For 2002 collections, real property taxes were levied in April 2001 the assessed values as of January 1, 2000, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January, 2000. Tangible personal property is assessed on equipment and inventory held by businesses. Tangible personal property is assessed at 25% of true value (as defined). In 2002, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2002, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2002. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$2,329,344; \$1,847,025 for General Fund, \$56,725 for Capital Projects and \$425,594 for Debt Service, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2002 operations.

#### **NOTE E--FIXED ASSETS**

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land/Improvements	\$ 470,284	\$ 0	\$ 0	\$ 470,284
Building and Building Improvements	21,105,070	2,324	0	21,107,394
Furniture/Equipment	4,584,345	294,412	0	4,878,757
Vehicles	1,521,840	307,050	128,892	1,699,998
Construction in Progress	<u>7,982,021</u>	<u>6,797,196</u>	<u>0</u>	<u>14,779,217</u>
Total	<u>\$35,663,560</u>	<u>\$7,400,982</u>	<u>\$ 128,892</u>	<u>\$42,935,650</u>

A summary of the Proprietary Fund fixed assets at June 30, 2002 follows:

Furniture and Equipment	\$ 599,438
Less Accumulated Depreciation	(280,851)
Net Fixed Assets - Proprietary Fund	<u>\$318,587</u>

## NOTE F--LONG-TERM OBLIGATIONS

The current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the School District for which the full faith and credit of the School District is pledged for repayment. Accordingly, such unmatured obligation of the School District is accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. Funding for the debt payments is provided by 3.27 mills property tax levy.

The following is a description of the District's bonds and notes outstanding as of June 30, 2002:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance Beginning of Year	Additions	Retired 2002	Balance End of Year
School Facilities Bonds	5.0715%	03-01-94	12-01-10	\$3,264,992	\$ 0	\$460,000	\$2,804,992
School Improvement Bonds	4.9598%	04-01-99	12-01-27	\$9,635,000	\$ 0	\$195,000	\$9,440,000
School Improvement Bonds	5.0500%	05-01-99	12-01-27	\$9,665,000	\$ 0	\$ 185,000	\$ 9,480,000
TOTAL				\$22,564,992	\$ 0	\$840,000	\$21,724,992

The following is a summary of the District's future annual debt service requirements to maturity:

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2003	\$875,000	\$1,044,589	\$1,919,589
2004	920,000	1,006,900	1,926,900
2005	458,351	1,465,764	1,924,115
2006	476,125	1,450,790	1,926,915
2007	493,957	1,434,626	1,928,583
Thereafter	<u>18,501,559</u>	<u>11,103,122</u>	<u>29,604,681</u>
Total	<u>\$21,724,992</u>	<u>\$17,505,791</u>	<u>\$39,230,783</u>

**NOTE G--CHANGES IN THE GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP**

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Compensated Absences	\$ 1,371,491	\$ 0	\$ 36,779	\$ 1,334,712
Accrued Wages and Benefits	133,858	3,402	0	137,260
General Obligation Bonds	<u>22,564,992</u>	<u>0</u>	<u>840,000</u>	<u>21,724,992</u>
Total	<u>\$24,070,341</u>	<u>\$ 3,402</u>	<u>\$ 876,779</u>	<u>\$23,196,964</u>

**NOTE H--LEGAL DEBT MARGIN**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$35,940,419 and an unvoted debt margin of \$399,337.

**NOTE I--SEGMENT INFORMATION**

Enterprise Funds - The District maintains two Enterprise Funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$ 843,501	\$93,721	\$ 937,222
Operating Expenses Before Depreciation	1,413,692	90,337	1,504,029
Depreciation	21,161	0	21,161
Operating Income (Loss)	(591,352)	3,384	(587,968)
Operating Grants	263,968	0	263,968
Misc. Non-operating Revenues	330,439	0	330,439
Donated Commodities	77,892	0	77,892
Net Income (Loss)	80,947	3,384	84,331
Net Working Capital	185,293	79,688	264,981
Total Assets	592,595	81,729	674,324
Total Liabilities	103,079	2,041	105,120
Total Equity	489,516	79,688	569,204



## **NOTE J--DEFINED BENEFIT PENSION PLANS**

### School Employees Retirement System

The Southwest Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal year ended June 30, 2002, 2001 and 2000 were \$466,140, \$436,092, and \$388,998, respectively, 49% has been contributed for fiscal year 2002 and 100% for fiscal year 2001 and 2000. \$236,136 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligations account group.

### State Teachers Retirement System

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

Plan members are required to contribute 9.5% of their annual covered salary and the School District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's contributions for pension obligations to STRS for the fiscal year ended June 30, 2002, 2001 and 2000 were \$1,725,624, \$1,655,508 and \$1,551,096, respectively; 83% has been contributed for fiscal 2002 and 100% for fiscal year 2001 and 2000. \$292,748 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

## **NOTE K--POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Retirement Board allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001, were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

## NOTE L--BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances 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 and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

### Reconciliation of Excess of Revenues and Other Financing Sources Over(Under) Expenditures and Other Financing Uses From GAAP Basis to Budgetary Basis

#### Governmental Fund Types

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis	\$312,396	(\$ 49,673)	\$ 133,383	(\$6,682,232)
Net Adjustment for Revenue Accruals	(23,638)	3,647	3,632	(933)
Net Adjustment Expenditure Accruals	159,297	6,894	0	840
Net Adjustment for Encumbrances	(95,689)	(38,876)	0	(453,491)
Budgetary Basis	\$ 352,366	(\$78,008)	\$ 137,015	(\$7,135,816)

## NOTE M--COMPLIANCE AND ACCOUNTABILITY

State Statute requires all funds to have expenditures and encumbrances within approved appropriation limits. All funds of the District had expenditures and encumbrances within the approved appropriations.

### GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

### LITIGATION

There is no pending litigation against the District.

## **NOTE N--JOINTLY GOVERNED ORGANIZATIONS**

Hamilton/Clermont Cooperative Association (HCAA) -- The Hamilton/Clermont Cooperative Association is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the twenty-four participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Hamilton Clermont Cooperative Association, Don Rabe, who serves as Treasurer, at 11083 Hamilton Avenue, Cincinnati, Ohio 45231.

Great Oaks Institute of Technology and Career Development -- The Great Oaks Institute of Technology and Career Development is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of thirty-five members representing thirty-six affiliated school districts, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Great Oaks Institute of Technology and Career Development, John Wahle, who serves as Chief Financial Officer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

## **NOTE O--RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance for fleet and liability insurance and Inland Marine coverage and with Traveler's Insurance for property insurance.

Coverages provided by Nationwide Insurance and Indiana Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$35,410,629
Inland Marine Coverage (\$1,000 deductible)	35,410,629
Boiler and Machinery (\$1,000 deductible)	No limit
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

## **NOTE P—STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

## NOTE Q--STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity (cash-basis) was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Cumulative surplus carried forward from prior year	(\$113,432)	\$ 0	\$ 0	(\$113,432)
Set-aside Cash Balance as of June 30, 2001	0	0	177,561	177,651
Current Year Set-aside Requirement	476,318	476,318	0	952,636
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(749,616)	(753,167)	0	(1,502,783)
<b>Total</b>	<b>\$ (386,730)</b>	<b>\$ (276,849)</b>	<b>\$ 177,561</b>	<b>\$ (486,018)</b>
Cash Balance Carried Forward to FY 2003	\$ 0	\$ 0	\$ 177,561	\$ 177,561
Cumulative Surplus Spending Credit Carried Forward to FY 2003	\$ (386,730)	\$ 0	\$ 0	\$ (386,730)

For fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

Offsets/expenditures for textbook activity during the year totaled \$749,616, which exceeded the required set-aside and the reserve balance. The \$386,730 surplus resulting from a prior year surplus of \$113,432 and a current year surplus of \$273,298 may be carried forward to reduce the amount of the required set-aside in succeeding fiscal years.

Offsets/expenditures for capital activity during the year totaled \$753,167, which exceeded the required set-aside and the reserve balance. Although the School District had offsets and qualifying disbursements during the year that reduced the Capital Acquisition set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

## NOTE R--PRIOR PERIOD ADJUSTMENT

The beginning fixed asset balance for Retained Earnings of the food service enterprise fund have been adjusted for corrections to the fixed asset detail as follows:

<u>Enterprise Fund</u>	
Balance	
Previously stated June 30, 2001	\$499,181
Prior Period	
Adjustment	<u>(14,308)</u>
As Restated, July 1, 2001	<u>\$484,873</u>

**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Child Nutrition Cluster</b>						
School Breakfast Program	05-PU	10.553	\$57,890	\$0	\$57,890	\$0
Food Commodity Distribution	nn-n1	10.550	0	81,208	0	81,208
National School Lunch Program	LL-P1 & LL-P4	10.555	180,510	0	180,510	0
Total Child Nutrition Cluster			<u>238,400</u>	<u>81,208</u>	<u>238,400</u>	<u>81,208</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>238,400</b></u>	<u><b>81,208</b></u>	<u><b>238,400</b></u>	<u><b>81,208</b></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Special Education Cluster:</b>						
Special Education Grants to States (Title VI-B)	6BSF & 6BSX	84.027	265,453	0	263,975	0
Special Education - Preschool Grant	PG-S1	84.173	0	0	0	0
Total Special Education Cluster			<u>265,453</u>	<u>0</u>	<u>263,975</u>	<u>0</u>
Grants to Local Educational Agencies (Title I)	C1-S1	84.010	263,099	0	262,812	0
School Renovation, IDEA and Technology	AT-S1	84.352A	2,769	0	1,676	0
Title VI -- Innovative Education Program Strategies	C2-S1	84.298	6,840	0	2,213	0
Eisenhower Professional Development State Grants	MS-S1 & MS-S4	84.281	15,347	0	550	0
Safe and Drug Free Schools	DR-S1	84.186	17,898	0	15,751	0
Technology Literacy Challenge Fund Grant		84.318	65,000	0	65,000	0
Class Size Reduction (Title 6-R)	CR-S1	84.340	70,524	0	62,568	0
<b>Total U.S. Department of Education</b>			<u><b>706,930</b></u>	<u><b>0</b></u>	<u><b>674,545</b></u>	<u><b>0</b></u>
<b>Totals</b>			<u><b>\$945,330</b></u>	<u><b>\$81,208</b></u>	<u><b>\$912,945</b></u>	<u><b>\$81,208</b></u>

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

**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had food commodities valued at \$14,364 in inventory.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Southwest Local School District  
Hamilton County  
230 South Elm Street  
Harrison, Ohio 45030

To the Board of Education:

We have audited the financial statements of Southwest Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2002.

Southwest Local School District  
Hamilton County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Governmental Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

December 20, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Southwest Local School District  
Hamilton County  
230 South Elm Street  
Harrison, Ohio 45030

To the Board of Education:

**Compliance**

We have audited the compliance of Southwest Local School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

**Internal Control Over Compliance**

The management of the District's is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Southwest Local School District  
Hamilton County  
Report on Compliance With Requirements Applicable to Each Major  
Federal Program and Internal Control Over Compliance  
In Accordance With OMB Circular A-133  
Page 2

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 20, 2002

**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**

**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-10431-001	ORC, 5705.41D – the availability of funds was not certified for certain commitments	No	Partially corrected – reported in the management letter for 2002







STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**SOUTHWEST LOCAL SCHOOL DISTRICT**

**HAMILTON 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  
JANUARY 30, 2003**