

**SOUTHWEST LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**



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

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

Southwest Local School District  
Hamilton County  
230 S. Elm Street  
Cincinnati, Ohio 45030

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Southwest Local School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Southwest Local School District, Hamilton County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2000 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

February 1, 2000



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Southwest Local School District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$4,460,875	\$422,432	\$976,731	\$30,343,622
Restricted Pooled Cash and Investments	336,519	0	0	0
Receivables:				
Taxes	8,409,520	0	1,638,824	236,018
Intergovernmental	6,463	30	0	0
Accounts	3,406	812	0	0
Inventory	0	0	0	0
Fixed Assets ( Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
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>\$13,216,783</b>	<b>\$423,274</b>	<b>\$2,615,555</b>	<b>\$30,579,640</b>
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$95,771	\$3,859	\$0	\$33,240
Accrued Wages & Benefits	2,002,956	65,261	0	0
Compensated Absences Payable	142,835	0	0	0
Deferred Revenue	5,853,571	0	1,101,967	155,975
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Bond Anticipation Notes Payable	0	0	0	10,000,000
<b>Total Liabilities</b>	<b>8,095,133</b>	<b>69,120</b>	<b>1,101,967</b>	<b>10,189,215</b>
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	55,506	54,260	0	1,116,431
Reserved for Property Tax Advances	2,555,949	0	536,857	80,043
Reserved For Set-Asides	336,519	0	0	0
Unreserved & Undesignated	2,173,676	299,894	976,731	19,193,951
<b>Total Fund Equity (Deficit) &amp; Other Credits</b>	<b>5,121,650</b>	<b>354,154</b>	<b>1,513,588</b>	<b>20,390,425</b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b>\$13,216,783</b>	<b>\$423,274</b>	<b>\$2,615,555</b>	<b>\$30,579,640</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	
\$214,472	\$2,312	\$72,806	\$0	\$0	\$36,493,250
0	0	0	0	0	336,519
0	0	0	0	0	10,284,362
33,883	0	0	0	0	40,376
2,082	0	0	0	0	6,300
18,182	0	0	0	0	18,182
214,423	0	0	24,817,765	0	25,032,188
0	0	0	0	1,513,588	1,513,588
0	0	0	0	23,845,148	23,845,148
<u>\$483,042</u>	<u>\$2,312</u>	<u>\$72,806</u>	<u>\$24,817,765</u>	<u>\$25,358,736</u>	<u>\$97,569,913</u>
\$654	\$0	\$3,411	\$0	\$0	\$136,935
81,140	0	0	0	104,562	2,253,919
0	0	0	0	1,124,182	1,267,017
11,735	0	0	0	0	7,123,248
0	0	56,964	0	0	56,964
0	0	0	0	24,129,992	24,129,992
0	0	0	0	0	10,000,000
<u>93,529</u>	<u>0</u>	<u>60,375</u>	<u>0</u>	<u>25,358,736</u>	<u>44,968,075</u>
0	0	0	24,817,765	0	24,817,765
389,513	2,312	0	0	0	391,825
0	0	0	0	0	1,226,197
0	0	0	0	0	3,172,849
0	0	0	0	0	336,519
0	0	12,431	0	0	22,656,683
<u>389,513</u>	<u>2,312</u>	<u>12,431</u>	<u>24,817,765</u>	<u>0</u>	<u>52,601,838</u>
<u>\$483,042</u>	<u>\$2,312</u>	<u>\$72,806</u>	<u>\$24,817,765</u>	<u>\$25,358,736</u>	<u>\$97,569,913</u>

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, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Revenues:</b>				
Taxes	\$9,543,400	\$0	\$1,474,435	\$284,341
Intergovernmental	11,263,891	897,094	109,303	56,815
Investment	370,823	3,129	0	612,894
Tuition & Fees	55,094	0	0	0
Extracurricular Activities	0	239,703	0	0
Miscellaneous	51,545	157,625	0	0
<b>Total Revenues</b>	<b>21,284,753</b>	<b>1,297,551</b>	<b>1,583,738</b>	<b>954,050</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	10,139,294	37,299	0	396,510
Special	1,315,314	295,923	0	0
Vocational	209,557	0	0	0
Other	72,672	35,910	0	0
<b>Support Services:</b>				
Pupils	643,349	176,630	0	0
Instructional Staff	831,542	87,205	0	0
Board of Education	59,502	0	0	0
Administration	1,925,974	125,469	4,185	362
Fiscal	429,442	0	14,028	3,468
Operation & Maintenance of Plant	2,038,143	9,844	0	0
Pupil Transportation	1,213,671	2,500	0	0
Central	11,816	0	0	0
Operation of Non-Instructional Services	52,220	215,268	0	0
Extracurricular Activities	271,833	209,128	0	0
Capital Outlay	0	0	0	719,629
<b>Debt Service:</b>				
Principal Retirement	0	0	395,000	0
Interest & Fiscal Charges	0	0	479,295	0
<b>Total Expenditures</b>	<b>19,214,329</b>	<b>1,195,176</b>	<b>892,508</b>	<b>1,119,969</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>2,070,424</b>	<b>102,375</b>	<b>691,230</b>	<b>(165,919)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of Bonds	0	0	0	20,000,000
Proceeds from Sale of Fixed Assets	2,340	0	0	0
Refund of Prior Year Expenditures	1,135	0	0	0
Refund of Prior Year Receipts	0	(327)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>3,475</b>	<b>(327)</b>	<b>0</b>	<b>20,000,000</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures &amp; Other Financing Uses</b>	<b>2,073,899</b>	<b>102,048</b>	<b>691,230</b>	<b>19,834,081</b>
<b>Fund Balance, Beginning of Year</b>	<b>3,047,751</b>	<b>252,106</b>	<b>822,358</b>	<b>556,344</b>
<b>Fund Balance, End of Year</b>	<b>\$5,121,650</b>	<b>\$354,154</b>	<b>\$1,513,588</b>	<b>\$20,390,425</b>

See accompanying notes.

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$0	\$11,302,176
0	12,327,103
0	986,846
0	55,094
0	239,703
<u>21,114</u>	<u>230,284</u>
<u>21,114</u>	<u>25,141,206</u>
3,198	10,576,301
0	1,611,237
0	209,557
0	108,582
8,806	828,785
0	918,747
0	59,502
0	2,055,990
0	446,938
0	2,047,987
0	1,216,171
0	11,816
0	267,488
0	480,961
0	719,629
0	395,000
<u>0</u>	<u>479,295</u>
<u>12,004</u>	<u>22,433,986</u>
<u>9,110</u>	<u>2,707,220</u>
0	20,000,000
0	2,340
0	1,135
<u>0</u>	<u>(327)</u>
<u>0</u>	<u>20,003,148</u>
9,110	22,710,368
<u>3,321</u>	<u>4,681,880</u>
<u>\$12,431</u>	<u>\$27,392,248</u>

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, 1999

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$8,494,808	\$8,494,808	\$0	\$0	\$0	\$0
Intergovernmental	11,134,609	11,257,431	122,822	872,064	897,064	25,000
Investment	370,823	370,823	0	3,697	3,129	(568)
Tuition & Fees	29,936	54,549	24,613	0	0	0
Extracurricular Activities	0	0	0	236,500	239,068	2,568
Miscellaneous	49,612	49,612	0	158,646	158,594	(52)
<b>Total Revenues</b>	<b>20,079,788</b>	<b>20,227,223</b>	<b>147,435</b>	<b>1,270,907</b>	<b>1,297,855</b>	<b>26,948</b>
Expenditures:						
Current:						
Instruction:						
Regular	9,937,369	9,937,369	0	37,760	37,760	0
Special	1,302,015	1,302,015	0	293,360	293,360	0
Vocational	204,626	204,626	0	0	0	0
Other	55,987	55,987	0	35,910	35,910	0
Support Services:						
Pupils	628,565	628,565	0	178,328	178,328	0
Instructional Staff	814,548	814,548	0	88,458	88,458	0
Board of Education	59,502	59,502	0	0	0	0
Administration	1,908,957	1,908,957	0	129,232	129,232	0
Fiscal	427,619	427,619	0	0	0	0
Operation & Maintenance of Plant	2,010,909	2,010,909	0	9,844	9,844	0
Pupil Transportation	1,200,889	1,200,889	0	2,500	2,500	0
Central	11,816	11,816	0	0	0	0
Operation of Non-Instructional Services	0	0	0	254,045	254,045	0
Extracurricular Activities	309,409	309,409	0	213,888	213,888	0
Capital Outlay	0	0	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>18,872,211</b>	<b>18,872,211</b>	<b>0</b>	<b>1,243,325</b>	<b>1,243,325</b>	<b>0</b>
Excess (Deficiency) of Revenues Over Under Expenditures	1,207,577	1,355,012	147,435	27,582	54,530	26,948
Other Financing Sources (Uses):						
Proceeds of Bonds	0	0	0	0	0	0
Proceeds of Notes	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	2,290	2,290	0	0	0	0
Refund of Prior Year Expenditures	1,135	1,135	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(327)	(327)	0
Operating Transfers In	158,412	158,412	0	8,760	8,760	0
Operating Transfers Out	(158,412)	(158,412)	0	(8,854)	(8,854)	0
<b>Total Other Financing Sources (Uses)</b>	<b>3,425</b>	<b>3,425</b>	<b>0</b>	<b>(421)</b>	<b>(421)</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	1,211,002	1,358,437	147,435	27,161	54,109	26,948
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	3,336,753	3,336,753	0	311,195	311,195	0
<b>Fund Balance, End of Year</b>	<b>\$4,547,755</b>	<b>\$4,695,190</b>	<b>\$147,435</b>	<b>\$338,356</b>	<b>\$365,304</b>	<b>\$26,948</b>

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$1,066,006	\$1,066,006	\$0	\$254,519	\$254,519	\$0	\$9,815,333	\$9,815,333	\$0
60,000	109,303	49,303	56,815	56,815	0	12,123,488	12,320,613	197,125
0	0	0	280,000	612,894	332,894	654,520	986,846	332,326
0	0	0	0	0	0	29,936	54,549	24,613
0	0	0	0	0	0	236,500	239,068	2,568
0	0	0	0	0	0	208,258	208,206	(52)
1,126,006	1,175,309	49,303	591,334	924,228	332,894	23,068,035	23,624,615	556,580
0	0	0	396,510	396,510	0	10,371,639	10,371,639	0
0	0	0	0	0	0	1,595,375	1,595,375	0
0	0	0	0	0	0	204,626	204,626	0
0	0	0	0	0	0	91,897	91,897	0
0	0	0	0	0	0	806,893	806,893	0
0	0	0	0	0	0	903,006	903,006	0
0	0	0	0	0	0	59,502	59,502	0
4,185	4,185	0	362	362	0	2,042,736	2,042,736	0
14,028	14,028	0	3,468	3,468	0	445,115	445,115	0
0	0	0	0	0	0	2,020,753	2,020,753	0
0	0	0	0	0	0	1,203,389	1,203,389	0
0	0	0	0	0	0	11,816	11,816	0
0	0	0	0	0	0	254,045	254,045	0
0	0	0	0	0	0	523,297	523,297	0
0	0	0	1,836,060	1,836,060	0	1,836,060	1,836,060	0
10,395,000	10,395,000	0	0	0	0	10,395,000	10,395,000	0
479,295	479,295	0	0	0	0	479,295	479,295	0
10,892,508	10,892,508	0	2,236,400	2,236,400	0	33,244,444	33,244,444	0
(9,766,502)	(9,717,199)	49,303	(1,645,066)	(1,312,172)	332,894	(10,176,409)	(9,619,829)	556,580
0	0	0	20,000,000	20,000,000	0	20,000,000	20,000,000	0
0	0	0	20,000,000	20,000,000	0	20,000,000	20,000,000	0
0	0	0	0	0	0	2,290	2,290	0
0	0	0	0	0	0	1,135	1,135	0
0	0	0	0	0	0	(327)	(327)	0
10,000,000	10,000,000	0	0	0	0	10,167,172	10,167,172	0
0	0	0	(10,000,000)	(10,000,000)	0	(10,167,266)	(10,167,266)	0
10,000,000	10,000,000	0	30,000,000	30,000,000	0	40,003,004	40,003,004	0
233,498	282,801	49,303	28,354,934	28,687,828	332,894	29,826,595	30,383,175	556,580
693,931	693,931	0	506,125	506,125	0	4,848,004	4,848,004	0
\$927,429	\$976,732	\$49,303	\$28,861,059	\$29,193,953	\$332,894	\$34,674,599	\$35,231,179	\$556,580

Southwest Local School District  
 Combined Statement of Revenues, Expenses  
 And Changes in Retained Earnings  
 All Proprietary Fund Types  
 For the Year Ended June 30, 1999

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Sales	\$702,070	\$0	\$702,070
Charges for Services	91,944	0	91,944
Total Operating Revenues	<u>794,014</u>	<u>0</u>	<u>794,014</u>
Operating Expenses:			
Salaries	379,509	0	379,509
Fringe Benefits	137,251	0	137,251
Purchased Services	20,491	0	20,491
Materials & Supplies	771,885	0	771,885
Depreciation	18,002	0	18,002
Other Operating Expenses	3,635	0	3,635
Total Operating Expenses	<u>1,330,773</u>	<u>0</u>	<u>1,330,773</u>
Operating Income (Loss)	<u>(536,759)</u>	<u>0</u>	<u>(536,759)</u>
Non-Operating Revenues (Expenses):			
Investment Revenue	358	0	358
Miscellaneous Revenue	273,854	0	273,854
Donated Commodities	61,837	0	61,837
Operating Grants - State & Local	20,682	0	20,682
Operating Grants - Federal	245,544	0	245,544
Total Non-Operating Revenues	<u>602,275</u>	<u>0</u>	<u>602,275</u>
Net Income	65,516	0	65,516
Retained Earnings, Beginning of Year	<u>323,997</u>	<u>2,312</u>	<u>326,309</u>
Retained Earnings, End of Year	<u>\$389,513</u>	<u>\$2,312</u>	<u>\$391,825</u>

See accompanying notes.

Southwest Local School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Year Ended June 30, 1999

	Proprietary Fund Types		Totals (Memorandum only)
	Enterprise	Internal Service	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Sales	\$702,070	\$0	\$702,070
Cash Received from Charges for Services	90,690	0	90,690
Cash Payments for Personal Services	(509,724)	0	(509,724)
Cash Payments for Contract Services	(22,408)	0	(22,408)
Cash Payments for Supplies & Materials	(707,045)	0	(707,045)
Cash Payments for Other Expenses	(3,635)	0	(3,635)
Net Cash Provided (Used) by Operating Activities	<u>(450,052)</u>	<u>0</u>	<u>(450,052)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash Received from Operating Grants	232,343	0	232,343
Cash Received from Investment Earnings	358	0	358
Other	273,975	0	273,975
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>506,676</u>	<u>0</u>	<u>506,676</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(50,264)	0	(50,264)
Net Cash Used for Capital and Related Financing Activities	<u>(50,264)</u>	<u>0</u>	<u>(50,264)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,360	0	6,360
Cash and Cash Equivalents at Beginning of Year	208,112	2,312	210,424
Cash and Cash Equivalents at End of Year	<u>\$214,472</u>	<u>\$2,312</u>	<u>\$216,784</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	(\$536,759)	\$0	(\$536,759)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	18,002	0	18,002
Donated Commodities Used	61,837	0	61,837
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivables	(1,133)	0	(1,133)
(Increase) Decrease in Materials & Supplies Inventory	11,940	0	11,940
Increase (Decrease) in Accounts Payable	(1,297)	0	(1,297)
Increase (Decrease) in Accrued Wages & Benefits	14,905	0	14,905
Increase (Decrease) in Compensated Absences Payable	(8,170)	0	(8,170)
Increase (Decrease) in Deferred Revenue	(9,377)	0	(9,377)
Net Cash Provided (Used) by Operating Activities	<u>(\$450,052)</u>	<u>\$0</u>	<u>(\$450,052)</u>

See accompanying notes.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**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 236 non-certificated personnel and 152 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District enrollment for October 1998 was 4,059. The District cost per pupil for fiscal year 1999 was \$5,522. 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 O 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:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Funds

Internal Service Funds are 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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 and Expendable Trust 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.

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.

**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).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Balances-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, function and object 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 within functions 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 1999. The significant changes were to DebtService, \$10,272,508 and Capital Projects, \$11,567,329.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, function and/or object level.

**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 M provides a reconciliation of the GAAP basis and budgetary basis of accounting.

**CASH AND INVESTMENTS**

Cash received by the District is deposited in one bank account with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired).

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 1999 totaled \$926,760.

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 commercial paper, bankers acceptances and 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 1999. 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, 1999.

**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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 rather than when purchased.

**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

**INTERGOVERNMENTAL REVENUES**

In governmental funds, non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures were incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

**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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 state mandated set-asides. The reserve represents property taxes available for advance and not received as they are intended to finance activities of FY 2000. 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;



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE C - EQUITY IN POOLED CASH & INVESTMENTS (Continued)**

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 (STAR Ohio);
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 \$846,012. The bank balance of deposits was \$1,537,124. Of the bank balance \$237,124 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE C - EQUITY IN POOLED CASH & INVESTMENTS (Continued)**

Based on the above criteria, the District's investments at June 30, 1999 are classified as follows:

	Category 1	Category 2	Category 3	Carrying Amount/ Fair Value
State Treasury Pool*	\$	\$	\$	\$13,912,287
Commercial Paper		2,240,590		2,240,590
Bankers Acceptances		1,661,169		1,661,169
Government Securities		15,392,895		15,392,895
Repurchase Agreements			2,776,816	2,776,816
<b>TOTAL</b>	<b>\$ -0-</b>	<b>\$19,294,654</b>	<b>\$2,776,816</b>	<b>\$35,983,757</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 1999 were based are as follows:

Real estate	\$246,733,470
Tangible personal	<u>83,955,528</u>
Total assessed property value	<u>\$330,688,998</u>

For 1999 collections, real property taxes were levied in April 1998 the assessed values as of January 1, 1997, 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, 1999. Tangible personal property is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 1999, 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 1999, 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE D - PROPERTY TAXES (Continued)**

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 1999. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 1999. 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, 1999, was \$3,172,849; \$2,555,949 for General Fund, \$80,043 for Capital Projects and \$536,857 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 1999 operations.

**NOTE E - FIXED ASSETS**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land/Improvements	\$ 350,284	\$ 120,000	\$ 0	\$ 470,284
Building and Building Improvements	18,289,625	5,854	0	18,295,479
Furniture/Equipment	3,492,964	535,230	0	4,028,194
Vehicles	1,358,503	122,186	29,775	1,450,914
Construction in Progress	<u>0</u>	<u>572,894</u>	<u>0</u>	<u>572,894</u>
	<u>\$23,491,376</u>	<u>\$1,356,164</u>	<u>\$29,775</u>	<u>\$24,817,765</u>
Total				

A summary of the Proprietary Fund fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 425,847
Less Accumulated Depreciation	<u>(211,424)</u>
Net Fixed Assets - Proprietary Fund	<u>\$214,423</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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE F - LONG-TERM OBLIGATIONS (Continued)**

The following is a description of the District's bonds and notes outstanding as of June 30, 1999:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance Beginning of Year	Additions	Retired 1999	Balance End of Year
School Facilities Bonds	7.5940%	01-01-89	12-01-99	\$ 505,000		\$245,000	\$ 260,000
School Facilities Bonds	5.0715%	03-01-94	12-01-10	\$4,019,992		\$150,000	\$3,869,992
School Improvement Bonds	4.9598%	04-01-99	12-01-27	\$ 0	\$10,000,000	\$ 0	\$10,000,000
School Improvement Bonds	5.0500%	05-01-99	12-01-27	\$ 0	\$10,000,000	\$ 0	\$10,000,000
<b>TOTAL</b>				<b>\$4,524,992</b>	<b>\$20,000,000</b>	<b>\$395,000</b>	<b>\$24,129,992</b>

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>Principal</u>	<u>Interest</u>
2000	\$ 770,000	\$1,267,084
2001	795,000	1,111,978
2002	840,000	1,079,700
2003	875,000	1,044,589
2004	920,000	1,006,900
Thereafter	<u>19,929,992</u>	<u>15,454,298</u>
Total	<u>\$24,129,992</u>	<u>\$20,964,549</u>

**NOTE G - SHORT-TERM DEBT**

The following is a summary of the short-term debt as of June 30, 1999:

Description	Maturity Date	Interest Rate	Amount
Bond Anticipation Notes	07-20-99	3.73%	\$10,000,000

The bond anticipation note is accounted for in a capital projects fund.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

During the year ended June 30, 1999, 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
<u>Compensated Absences:</u>				
Sick Leave and Vacation Leave	\$ 977,941	\$ 146,241	\$ 0	\$ 1,124,182
Accrued Wages and Benefits	108,540	0	3,978	104,562
 <u>General Obligation Debt:</u>				
Bonds	<u>4,524,992</u>	<u>20,000,000</u>	<u>395,000</u>	<u>24,129,992</u>
Total	<u>\$5,611,473</u>	<u>\$20,146,241</u>	<u>\$398,978</u>	<u>\$25,358,736</u>

**NOTE I - 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, 1999 are a voted debt margin of \$29,762,010 and an unvoted debt margin of \$330,689.

**NOTE J - SEGMENT INFORMATION**

Enterprise Funds - The District maintains three Enterprise Funds to account for the operations of Food Service, Uniform School Supplies and Special Enterprise. 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, 1999.

	Food Service	Uniform School Supplies	Special Enterprise	Total
Operating Revenues	\$ 703,409	\$90,605	\$ 0	\$ 794,014
Operating Expenses Before Depreciation	1,228,053	83,598	1,120	1,312,771
Depreciation	18,002	0	0	18,002
Operating Income (Loss)	(542,646)	7,007	(1,120)	(536,759)
Operating Grants	540,438	0	0	540,438
Donated Commodities	61,837	0	0	61,837
Net Income (Loss)	<u>59,629</u>	<u>7,007</u>	<u>(1,120)</u>	<u>65,516</u>
Net Working Capital	99,208	75,882	0	175,090
Total Assets	406,968	76,074	0	483,042
Total Liabilities	93,337	192	0	93,529
Total Equity	313,631	\$75,882	\$ 0	389,513

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE K - 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 School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal year ended June 30, 1999, 1998, and 1997 were \$369,468, \$354,564, and \$332,820, respectively, 47% has been contributed for fiscal year 1999 and 100% for fiscal year 1998 and 1997. \$182,916 representing the unpaid contribution for fiscal year 1999 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 9.3% of their annual covered salary and the School District is required to contribute 14%; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal year ended June 30, 1999, 1998, and 1997 were \$1,447,692, \$1,381,656 and \$1,306,752, respectively; 83% has been contributed for fiscal year 1999 and 100% for fiscal year 1998 and 1997. \$247,656 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**NOTE L - POSTEMPLOYMENT BENEFITS**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE L - POSTEMPLOYMENT BENEFITS (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District this amount equaled \$361,923 during 1999. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8% of covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including surcharge, equaled \$131,425 during the 1999 fiscal year.

**NOTE M - 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:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE M - BUDGETARY BASIS OF ACCOUNTING (Continued)**

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	\$2,073,899	\$102,048	\$ 691,230	\$19,834,081
Net Adjustment for Revenue Accruals	(899,168)	9,064	9,591,571	19,970,178
Net Adjustment Expenditure Accruals	285,910	123	(10,000,000)	(9,966,760)
Net Adjustment for Encumbrances	(102,204)	(57,126)	0	(1,149,671)
Budgetary Basis	\$1,358,437	\$ 54,109	\$ 282,801	\$28,687,828

**NOTE N - 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, 1999.

**LITIGATION**

All potential claims against the District, from current litigation, are covered by insurance.

**NOTE O - 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.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE O - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 P - 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 1999, 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 Q - UNCERTAINTIES**

State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$10,426,605 of school foundation support for its general fund.

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE R - YEAR 2000 ISSUE**

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

Southwest Local School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits. The District uses an external service organization for these services. The external service organization and the State are responsible for remediating these systems.

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

Hamilton and Butler County collect property taxes for distribution to the District. Hamilton and Butler County are responsible for remediating their tax collection systems.

To the best of management's knowledge and belief, as of February 1, 2000, the government experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**NOTE S - 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, 1999, the reserve activity (cash-basis) was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 177,561	\$ 177,671
Current Year Set-aside Requirement	317,915	317,915	158,958	794,788
Current Year Offsets	(59,955)	(30,291,808)	0	(30,351,763)
Qualifying Disbursements	(396,584)	0	0	(396,584)
Total	\$ (138,624)	\$(29,973,893)	\$ 336,519	\$(29,775,998 )
Cash Balance Carried Forward to FY 1999	\$ 0	\$ 0	\$ 336,519	\$ 336,519

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE S - STATUTORY RESERVES (Continued)**

Although the School District had offsets and qualifying disbursements during the year that reduced the 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.

Expenditures for textbook activity during the year totaled \$396,584, which exceeded the amount required for the set-aside.

Offsets for capital activity during the year totaled \$30,037,289, which exceeded the amount required for the set-aside.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU	10.550	\$0	\$52,561	\$0	\$52,561
National School Breakfast Program	05-PU	10.553	55,786		55,786	
National School Lunch Program	04-PU	10.555	<u>159,632</u>		<u>159,632</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>215,418</u>	<u>52,561</u>	<u>215,418</u>	<u>52,561</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	153,501		118,644	
Adult Education-State Grant Program	AB-S1	84.002	19,115		16,358	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	290,975		257,642	
Innovative Educational Program Strategies	C2-S1	84.298	17,451		10,441	
Safe and Drug-Free School Grant	DR-S1	84.186	22,473		15,334	
Goals 2000 School Grant	G2-S2	84.276	15,000		1,044	
Total Department of Education			<u>518,515</u>	<u>0</u>	<u>419,463</u>	<u>0</u>
<b>Totals</b>			<u><b>\$733,933</b></u>	<u><b>\$52,561</b></u>	<u><b>\$634,881</b></u>	<u><b>\$52,561</b></u>

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting, except expenditures of assistance passed through the Ohio Bureau of Employment Services Job Training Partnership Programs are presented on an accrual basis.

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1997, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the Government contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Cincinnati, Ohio 45202  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Southwest Local School District  
Hamilton County  
230 S. Elm Street  
Cincinnati, 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 fiscal year ended June 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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*.

**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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 1, 2000.

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

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

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

**Jim Petro**  
Auditor of State

February 1, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Southwest Local School District  
Hamilton County  
230 S. Elm Street  
Cincinnati, 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 is applicable to its major federal program for the fiscal year ended June 30, 1999. 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 programs 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

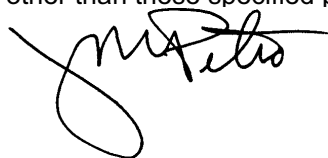
In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 1999.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

**Jim Petro**  
Auditor of State

February 1, 2000



**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 1999**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1 - CFDA #84.010
(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 AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR

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**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  
MARCH 7, 2000**