



**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Southwest Local School District
Hamilton County
230 South Elm Street
Harrison, Ohio 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 fiscal year ended June 30, 2000, 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 the Southwest Local School District, Hamilton County, Ohio as of June 30, 2000, and the results of its operations and cash flows of its proprietary fund types for the fiscal year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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. 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.

Our Audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Southwest Local School District, Hamilton County, Ohio, 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 process 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.

Jim Petro
Auditor of State

December 18, 2000

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Southwest Local School District
Hamilton County

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$6,684,124	\$450,495	\$900,443	\$17,205,627
Restricted Equity in Pooled Cash and Investments	336,519	0	0	0
Receivables:				
Taxes	9,646,943	0	1,926,920	277,802
Intergovernmental	7,486	0	0	0
Accounts	1,505	2,472	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
Total Assets & Other Debits	<u>\$16,676,577</u>	<u>\$452,967</u>	<u>\$2,827,363</u>	<u>\$17,483,429</u>
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$9,340	\$5,170	\$0	\$0
Accrued Wages & Benefits	2,102,359	85,414	0	0
Compensated Absences Payable	136,264	0	0	0
Deferred Revenue	7,621,923	0	1,417,590	216,003
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>9,869,886</u>	<u>90,584</u>	<u>1,417,590</u>	<u>216,003</u>
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	224,709	36,820	0	1,189,746
Reserved for Property Tax Advances	2,025,020	0	509,330	61,799
Reserved for Set-Asides	336,519	0	0	0
Designated for Set-Asides	177,561	0	0	0
Unreserved & Undesignated	4,042,882	325,563	900,443	16,015,881
Total Fund Equity (Deficit) & Other Credits	<u>6,806,691</u>	<u>362,383</u>	<u>1,409,773</u>	<u>17,267,426</u>
Total Liabilities, Fund Equity & Other Credits	<u>\$16,676,577</u>	<u>\$452,967</u>	<u>\$2,827,363</u>	<u>\$17,483,429</u>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$261,962	\$2,312	\$71,100	\$0	\$0	\$25,576,063
0	0	0	0	0	336,519
0	0	0	0	0	11,851,665
30,758	0	0	0	0	38,244
1,027	0	267	0	0	5,271
15,766	0	0	0	0	15,766
188,627	0	0	29,178,873	0	29,367,500
0	0	0	0	1,409,773	1,409,773
0	0	0	0	23,388,175	23,388,175
<u>\$498,140</u>	<u>\$2,312</u>	<u>\$71,367</u>	<u>\$29,178,873</u>	<u>\$24,797,948</u>	<u>\$91,988,976</u>
\$2,842	\$0	\$1,400	\$0	\$0	\$18,752
82,389	0	0	0	118,874	2,389,036
0	0	0	0	1,319,082	1,455,346
10,291	0	0	0	0	9,265,807
0	0	54,632	0	0	54,632
0	0	0	0	23,359,992	23,359,992
95,522	0	56,032	0	24,797,948	36,543,565
0	0	0	29,178,873	0	29,178,873
402,618	2,312	0	0	0	404,930
0	0	0	0	0	1,451,275
0	0	0	0	0	2,596,149
0	0	0	0	0	336,519
0	0	0	0	0	177,561
0	0	15,335	0	0	21,300,104
402,618	2,312	15,335	29,178,873	0	55,445,411
<u>\$498,140</u>	<u>\$2,312</u>	<u>\$71,367</u>	<u>\$29,178,873</u>	<u>\$24,797,948</u>	<u>\$91,988,976</u>

Southwest Local School District
Hamilton County

Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$9,116,387	\$0	\$1,899,439	\$259,567	\$0	\$11,275,393
Intergovernmental	11,876,468	981,592	176,557	22,959	0	13,057,576
Investment	542,672	4,012	0	983,255	0	1,529,939
Tuition & Fees	65,639	0	0	0	0	65,639
Extracurricular Activities	0	225,523	0	0	0	225,523
Miscellaneous	26,903	185,663	0	25,028	17,200	254,794
Total Revenues	21,628,069	1,396,790	2,075,996	1,290,809	17,200	26,408,864
Expenditures:						
Current:						
Instruction:						
Regular	10,540,354	138,555	0	6,938	4,484	10,690,331
Special	1,325,818	316,121	0	0	0	1,641,939
Vocational	194,407	0	0	0	0	194,407
Other	56,624	1,184	0	0	0	57,808
Support Services:						
Pupils	683,414	242,039	0	0	9,812	935,265
Instructional Staff	847,300	60,803	0	0	0	908,103
Board of Education	41,070	0	0	0	0	41,070
Administration	2,033,837	167,702	3,712	522	0	2,205,773
Fiscal	454,441	0	25,194	3,697	0	483,332
Operation & Maintenance of Plant	2,260,572	7,364	0	0	0	2,267,936
Pupil Transportation	1,182,631	4,000	0	0	0	1,186,631
Central	14,199	0	0	0	0	14,199
Operation of Non-Instructional Services	0	227,485	0	0	0	227,485
Extracurricular Activities	314,887	218,508	0	0	0	533,395
Capital Outlay	0	0	0	4,402,651	0	4,402,651
Debt Service:						
Principal Retirement	0	0	770,000	0	0	770,000
Interest & Fiscal Charges	0	0	1,380,905	0	0	1,380,905
Total Expenditures	19,949,554	1,383,761	2,179,811	4,413,808	14,296	27,941,230
Excess of Revenues Over (Under) Expenditures	1,678,515	13,029	(103,815)	(3,122,999)	2,904	(1,532,366)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,726	0	0	0	0	1,726
Operating Transfers In	4,800	120	0	0	0	4,920
Operating Transfers Out	0	(4,920)	0	0	0	(4,920)
Total Other Financing Sources (Uses)	6,526	(4,800)	0	0	0	1,726
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	1,685,041	8,229	(103,815)	(3,122,999)	2,904	(1,530,640)
Fund Balance, Beginning of Year	5,121,650	354,154	1,513,588	20,390,425	12,431	27,392,248
Fund Balance, End of Year	\$6,806,691	\$362,383	\$1,409,773	\$17,267,426	\$15,335	\$25,861,608

See accompanying notes.

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Southwest Local School District
Hamilton County

Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$9,646,943	\$9,647,316	\$373	\$0	\$0	\$0
Intergovernmental	12,204,586	11,875,445	(329,141)	972,986	981,622	8,636
Investment	600,000	542,672	(57,328)	4,027	4,012	(15)
Tuition & Fees	66,389	66,389	0	0	0	0
Extracurricular Activities	0	0	0	223,881	226,158	2,277
Miscellaneous	46,940	28,004	(18,936)	181,010	183,368	2,358
Total Revenues	22,564,858	22,159,826	(405,032)	1,381,904	1,395,160	13,256
Expenditures:						
Current:						
Instruction:						
Regular	10,647,492	10,496,266	151,226	124,768	124,768	0
Special	1,314,245	1,314,245	0	362,345	312,345	50,000
Vocational	214,317	214,317	0	0	0	0
Other	73,053	73,053	0	1,184	1,184	0
Support Services:						
Pupils	702,293	702,293	0	296,261	246,261	50,000
Instructional Staff	874,599	874,599	0	61,913	61,913	0
Board of Education	41,070	41,070	0	0	0	0
Administration	2,024,592	2,024,592	0	170,733	170,733	0
Fiscal	453,240	453,240	0	0	0	0
Operation & Maintenance of Plant	2,318,856	2,318,856	0	9,538	9,538	0
Pupil Transportation	1,319,310	1,319,310	0	4,000	4,000	0
Central	14,199	14,199	0	0	0	0
Operation of Non-Instructional Services	0	0	0	295,905	245,905	50,000
Extracurricular Activities	329,429	329,429	0	284,897	227,176	57,721
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
Total Expenditures	20,326,695	20,175,469	151,226	1,611,544	1,403,823	207,721
Excess (Deficiency) of Revenues Over Under Expenditures	2,238,163	1,984,357	(253,806)	(229,640)	(8,663)	220,977
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,776	1,776	0	0	0	0
Operating Transfers In	44,309	44,309	0	773	773	0
Operating Transfers Out	(39,509)	(39,509)	0	(5,573)	(5,573)	0
Advances In	36,000	36,000	0	36,000	36,000	0
Advances Out	(36,000)	(36,000)	0	0	(36,000)	(36,000)
Total Other Financing Sources (Uses)	6,576	6,576	0	31,200	(4,800)	(36,000)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	2,244,739	1,990,933	(253,806)	(198,440)	(13,463)	184,977
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	4,649,959	4,797,395	147,436	395,479	422,432	26,953
Fund Balance, End of Year	\$6,894,698	\$6,788,328	(\$106,370)	\$197,039	\$408,969	\$211,930

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)
\$1,926,920	\$1,926,966	\$46	\$277,819	\$277,811	(\$8)	\$11,851,682	\$11,852,093	\$411
176,557	176,557	0	35,965	22,959	(13,006)	13,390,094	13,056,583	(333,511)
0	0	0	834,972	983,255	148,283	1,438,999	1,529,939	90,940
0	0	0	0	0	0	66,389	66,389	0
0	0	0	0	0	0	223,881	226,158	2,277
0	0	0	25,028	25,028	0	252,978	236,400	(16,578)
2,103,477	2,103,523	46	1,173,784	1,309,053	135,269	27,224,023	26,967,562	(256,461)
0	0	0	10,938	6,938	4,000	10,783,198	10,627,972	155,226
0	0	0	0	0	0	1,676,590	1,626,590	50,000
0	0	0	0	0	0	214,317	214,317	0
0	0	0	0	0	0	74,237	74,237	0
0	0	0	0	0	0	998,554	948,554	50,000
0	0	0	0	0	0	936,512	936,512	0
0	0	0	0	0	0	41,070	41,070	0
8,712	3,712	5,000	2,522	522	2,000	2,206,559	2,199,559	7,000
40,383	25,194	15,189	8,697	3,697	5,000	502,320	482,131	20,189
0	0	0	0	0	0	2,328,394	2,328,394	0
0	0	0	0	0	0	1,323,310	1,323,310	0
0	0	0	0	0	0	14,199	14,199	0
0	0	0	0	0	0	295,905	245,905	50,000
0	0	0	0	0	0	614,326	556,605	57,721
0	0	0	9,414,452	5,625,638	3,788,814	9,414,452	5,625,638	3,788,814
10,770,000	10,770,000	0	0	0	0	10,770,000	10,770,000	0
1,380,905	1,380,905	0	0	0	0	1,380,905	1,380,905	0
12,200,000	12,179,811	20,189	9,436,609	5,636,795	3,799,814	43,574,848	39,395,898	4,178,950
(10,096,523)	(10,076,288)	20,235	(8,262,825)	(4,327,742)	3,935,083	(16,350,825)	(12,428,336)	3,922,489
0	0	0	0	0	0	1,776	1,776	0
10,000,000	10,000,000	0	0	0	0	10,045,082	10,045,082	0
0	0	0	(10,000,000)	(10,000,000)	0	(10,045,082)	(10,045,082)	0
0	0	0	0	0	0	72,000	72,000	0
0	0	0	0	0	0	(36,000)	(72,000)	(36,000)
10,000,000	10,000,000	0	(10,000,000)	(10,000,000)	0	37,776	1,776	(36,000)
(96,523)	(76,288)	20,235	(18,262,825)	(14,327,742)	3,935,083	(16,313,049)	(12,426,560)	3,886,489
927,429	976,732	49,303	30,010,730	30,343,624	332,894	35,983,597	36,540,183	556,586
\$830,906	\$900,444	\$69,538	\$11,747,905	\$16,015,882	\$4,267,977	\$19,670,548	\$24,113,623	\$4,443,075

Southwest Local School District
Hamilton County

Combined Statement of Revenues, Expenses
And Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Investment Revenue	\$7,225	\$0	\$7,225
Charges for Services	842,679	0	842,679
Miscellaneous Revenue	299,267	0	299,267
Total Operating Revenues	1,149,171	0	1,149,171
Operating Expenses:			
Salaries	398,058	0	398,058
Fringe Benefits	139,650	0	139,650
Purchased Services	20,927	0	20,927
Materials & Supplies	840,397	0	840,397
Depreciation	17,680	0	17,680
Other Operating Expenses	2,066	0	2,066
Total Operating Expenses	1,418,778	0	1,418,778
Operating Income (Loss)	(269,607)	0	(269,607)
Non-Operating Revenues (Expenses):			
Donated Commodities	64,092	0	64,092
Operating Grants - State & Local	11,555	0	11,555
Operating Grants - Federal	217,608	0	217,608
Disposal of fixed assets	750	0	750
Total Non-Operating Revenues	294,005	0	294,005
Net Income	24,398	0	24,398
Retained Earnings, Beginning of Year (As Restated, See Note F)	378,220	2,312	380,532
Retained Earnings, End of Year	\$402,618	\$2,312	\$404,930

see accompanying notes

Southwest Local School District
Hamilton County

Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Totals (Memorandum only)
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Investment Earnings	\$7,225	\$0	\$7,225
Cash Received from Charges for Services	843,734	0	843,734
Cash Received from Miscellaneous Sources	299,267	0	299,267
Cash Payments for Personal Services	(536,459)	0	(536,459)
Cash Payments for Contract Services	(20,927)	0	(20,927)
Cash Payments for Supplies & Materials	(773,145)	0	(773,145)
Cash Payments for Other Expenses	(2,066)	0	(2,066)
Net Cash Provided (Used) by Operating Activities	(182,371)	0	(182,371)
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Operating Grants	232,288	0	232,288
Other	750	0	750
Net Cash Provided (Used) by Non-Capital Financing Activities	233,038	0	233,038
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(3,177)	0	(3,177)
Net Cash Used for Capital and Related Financing Activities	(3,177)	0	(3,177)
Net Increase (Decrease) in Cash and Cash Equivalents	47,490	0	47,490
Cash and Cash Equivalents at Beginning of Year	214,472	2,312	216,784
Cash and Cash Equivalents at End of Year	\$261,962	\$2,312	\$264,274
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$269,607)	\$0	(\$269,607)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	17,680	0	17,680
Donated Commodities Used	64,092	0	64,092
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	1,055	0	1,055
(Increase) Decrease in Materials & Supplies Inventory	2,416	0	2,416
Increase (Decrease) in Accounts Payable	2,188	0	2,188
Increase (Decrease) in Accrued Wages & Benefits	1,249	0	1,249
Increase (Decrease) in Deferred Revenue	(1,444)	0	(1,444)
Net Cash Provided (Used) by Operating Activities	(\$182,371)	\$0	(\$182,371)

See accompanying notes.

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**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE A--DESCRIPTION OF THE DISTRICT

The Southwest Local School District (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 1999 was 4,082. The District cost per pupil for fiscal year 2000 was \$5,850. 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 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.

The 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.

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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,

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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.

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, 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 interest,

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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:

- (1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- (2) Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP).
- (3) Advances in and Advances out are not required to be budgeted.

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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 and function level of expenditures for the General Fund and the fund level of expenditures for all other funds, 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 and function appropriation for the General Fund or alter total fund appropriations within all other funds 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 within the General Fund and all other 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 2000.

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 and function level for the General Fund and fund level for all other funds.

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 O 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 investments.

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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 2000 totaled \$1,529,939.

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 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 (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

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 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:

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

<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.

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

<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 state mandated set asides. The reserve represents property taxes available for advance and not received as they are intended to finance activities of FY 2001. 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.

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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;

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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 \$604,856. The bank balance of deposits was \$1,529,039. Of the bank balance \$229,039 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, 2000 are classified as follows:

	Category 1	Category 2	Category 3	Carrying Amount/ Fair Value
State Treasury Pool*	\$	\$	\$	\$ 3,064,241
Commercial Paper		3,290,121		3,290,121
Government Securities		16,095,183		16,095,183
Repurchase Agreements			2,858,181	2,858,181
TOTAL	\$ -0-	\$19,385,304	\$2,858,181	\$25,307,726

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

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 2000 were based are as follows:

Real estate	\$305,153,590
Tangible personal	<u>88,676,185</u>
Total assessed property value	<u>\$393,829,775</u>

For 2000 collections, real property taxes were levied in April 1999 the assessed values as of January 1, 1998, 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 property is assessed at 25% of true value (as defined). In 2000, 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 2000, 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 real property, personal property and public utility taxes which became measurable at June 30, 2000. 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, 2000, was \$3,172,849; \$2,025,020 for General Fund, \$61,799 for Capital Projects and \$509,330 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 2000 operations.

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE E--FIXED ASSETS

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

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Deletions</u>	Balance End of <u>Year</u>
Land/Improvements	\$ 470,284	\$ 0	\$ 0	\$ 470,284
Building and Building Improvements	18,295,479	2,190,393	0	20,485,872
Furniture/Equipment	4,028,194	278,121	0	4,306,315
Vehicles	1,450,914	4,500	0	1,455,414
Construction in Progress	<u>572,894</u>	<u>4,065,642</u>	<u>2,177,548</u>	<u>2,460,988</u>
Total	<u>\$24,817,765</u>	<u>\$6,538,656</u>	<u>\$2,177,548</u>	<u>\$29,178,873</u>

A summary of the Proprietary Fund fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 429,205
Less Accumulated Depreciation	<u>(240,578)</u>
Net Fixed Assets - Proprietary Fund	<u>\$ 188,627</u>

NOTE F--PRIOR PERIOD ADJUSTMENTS

The enterprise fund retained earnings decreased from June 30, 1999 to July 1, 1999 by a total of \$11,293 from (\$389,513) to (\$378,220). The decrease was a result of accumulated depreciation not being properly recorded for some of the enterprise fund fixed assets.

NOTE G--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, 2000:

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE G--LONG-TERM OBLIGATIONS Continued

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	\$ 260,000		\$260,000	\$ 0
School Facilities Bonds	5.0715%	03-01-94	12-01-10	\$3,869,992		\$155,000	\$3,714,992
School Improvement Bonds	4.9598%	04-01-99	12-01-27	\$10,000,000	\$ 0	\$180,000	\$9,820,000
School Improvement Bonds	5.0500%	05-01-99	12-01-27	\$10,000,000	\$ 0	\$ 175,000	\$ 9,825,000
TOTAL				\$24,129,992	\$ 0	\$770,000	\$23,359,992

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

General Obligation Bonds

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 795,000	\$1,111,978
2002	840,000	1,079,700
2003	875,000	1,044,589
2004	920,000	1,006,900
2005	458,351	1,465,764
Thereafter	<u>19,471,641</u>	<u>13,988,537</u>
Total	<u>\$23,359,992</u>	<u>\$19,697,468</u>

NOTE H--SHORT TERM DEBT

The following is a summary of the short-term debt as of June 30, 2000.

Balance Beginning of Year	Additions	Retirement	Balance End of Year
\$10,000,000	-0-	\$10,000,000	-0-

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE I--CHANGES IN THE GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

During the year ended June 30, 2000, 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.

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>Compensated Absences:</u>				
Sick Leave and Vacation Leave	\$ 1,124,182	\$ 194,900	\$ 0	\$ 1,319,082
Accrued Wages and Benefits	104,562	14,312	0	118,874
<u>General Obligation Debt:</u>				
Bonds	<u>24,129,992</u>	<u>0</u>	<u>770,000</u>	<u>23,359,992</u>
Total	<u>\$25,358,736</u>	<u>\$ 209,212</u>	<u>\$770,000</u>	<u>\$24,797,948</u>

NOTE J--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, 2000 are a voted debt margin of \$35,444,680 and an unvoted debt margin of \$393,830.

NOTE K--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, 2000.

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE K--SEGMENT INFORMATION (Continued)

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$1,052,927	\$96,244	\$1,149,171
Operating Expenses Before Depreciation	1,301,340	99,758	1,401,098
Depreciation	17,680	0	17,680
Operating Income (Loss)	(266,093)	(3,514)	(269,607)
Operating Grants	229,163	0	229,163
Donated Commodities	64,092	0	64,092
Disposal of Fixed Assets	750	0	750
Net Income (Loss)	27,912	(3,514)	24,398
Net Working Capital	151,914	72,368	224,282
Total Assets	422,930	75,210	498,140
Total Liabilities	92,680	2,842	95,522
Total Equity	\$ 330,250	\$72,368	\$ 402,618

NOTE L--CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual purchase commitments as follows:

Company	Project	Amount Remaining on Contract
Ardalan Construction	Classroom Additions	\$366,352
O.K.I. Window Systems	Window Replacement	241,734
T. J. Williams Electric	Electrical Work Classroom Addition	45,285
Detect All Security	Update Existing Fire Alarm Security	1,495
Firematic Sprinkler	Classroom Additions	5,000
Global Fire Protection	Fire Protection	11,140
G & R Plumbing	Classroom Addition Plumbing	52,801
R. Kelly, Inc.	Classroom Additions	154,980
D.A.G. Construction	HVAC Work	21,565
Performance Construction	Classroom Additions	23,587
Banta Electric	Electrical Work Classroom Addition	40,130
Tom Sexton Associates	Furnishings for Classroom Additions	58,788
Rogers Plumbing	Electrical Work for Classroom Additions	75,927

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE M--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. 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, 2000, 1999 and 1998 were \$388,998, \$369,468 and \$354,564, respectively, 47% has been contributed for fiscal year 2000 and 100% for fiscal year 1999 and 1998. \$206,088 representing the unpaid contribution for fiscal year 2000 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, 2000, 1999 and 1998 were \$1,551,096, \$1,447,692 and \$1,381,656, respectively; 83% has been contributed for fiscal 2000 and 100% for fiscal year 1999 and 1998. \$269,376 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

NOTE N--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 percent of covered payroll. The Retirement Board allocates

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE N--POSTEMPLOYMENT BENEFITS (Continued)

employer contributions equal to two percent of covered payroll to the Health Care reserve Fund. The Health Care Reserve Allocation for the year ended June 30, 2000 will be 8% of covered payroll. The Health Care Reserve Allocation for the year ended June 30, 2000 will be 8% of covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 96,796 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 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1999. 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 2000, 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 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.9 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE O--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	\$1,685,041	\$ 8,229	\$ (103,815)	\$(3,122,999)
Net Adjustment for Revenue Accruals	607,316	35,023	10,027,527	18,244
Net Adjustment Expenditure Accruals	(69,107)	(15,189)	(10,000,000)	9,966,759
Net Adjustment for Encumbrances	(232,317)	(41,526)	0	(1,189,746)
Budgetary Basis	\$1,990,933	\$ (13,463)	\$ (76,288)	\$ 5,672,258

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE P--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. State statute requires investments in commercial paper notes to not exceed 180 days, the district had some investments in commercial paper that exceeded the 180 day limit.

NOTE Q--CONTINGENT LIABILITIES

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, 2000.

LITIGATION

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

NOTE R--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 S--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 2000, the School District contracted with Nationwide Insurance for fleet and liability insurance and Inland Marine coverage and with Traveler's Insurance for property insurance.

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE S--RISK MANAGEMENT (Continued)

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 T--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, 2000, the School District received \$10,995,060 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "major areas warranting further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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.

NOTE U--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, 2000, the reserve activity (cash-basis) was as follows:

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

NOTE U--STATUTORY RESERVES (Continued)

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999	\$ 0	\$ 0	\$ 336,519	\$ 336,519
Current Year Set-aside Requirement	496,922	496,922	0	993,844
Current Year Offsets	0	(277,811)	0	(277,811)
Qualifying Disbursements	(577,822)	(718,820)	0	(1,296,642)
Total	\$ (80,900)	\$ (499,709)	\$ 336,519	\$ (244,090)
Cash Balance Carried Forward to FY 2000	\$ 0	\$ 0	\$ 336,519	\$ 336,519

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 only be used to reduce the set-aside requirements of future years for textbooks. Negative amounts are not presented as being carried forward to the next fiscal year.

Expenditures for textbook activity during the year totaled \$577,822, which exceeded the amount required for the set-aside.

Offsets and expenditures for capital activity during the year totaled \$996,631, which exceeded the amount required for the set-aside.

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Nutrition Cluster:						
Food Distribution Program		10.550		\$62,648	\$0	\$64,092
School Breakfast Program	05-PU-99	10.553	\$15,129	0	15,129	0
	05-PU-00	10.553	<u>40,925</u>	<u>0</u>	<u>40,925</u>	<u>0</u>
			56,054	0	56,054	0
National School Lunch Program	03-PU-00	10.555	13,433	0	13,433	0
	03-PU-00	10.555	35,353	0	35,353	0
	04-PU-99	10.555	31,591	0	31,592	0
	04-PU-00	10.555	<u>80,543</u>	<u>0</u>	<u>80,543</u>	<u>0</u>
			<u>160,920</u>	<u>0</u>	<u>160,921</u>	<u>0</u>
Total U.S. Department of Agriculture - Nutrition Cluster			216,975	62,648	216,975	64,092
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-98	84.027	12,139		46,696	
	6B-SF-99	84.027	<u>207,408</u>	<u>0</u>	<u>206,829</u>	<u>0</u>
Total Education Handicapped Act VI-B			219,547	0	253,525	0
Innovation Education Program Strategies	C2-S1-99	84.298	3,135	0	8,345	0
	C2-S1-00	84.298	<u>22,830</u>	<u>0</u>	<u>19,640</u>	<u>0</u>
Total Title II			25,965	0	27,985	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99	84.010	18,719	0	52,052	0
	C1-S1-00	84.010	<u>256,239</u>	<u>0</u>	<u>231,473</u>	<u>0</u>
Total Title I			274,958	0	283,525	0
Drug-Free Schools Grant	DR-S1-99	84.186	2,438	0	9,221	0
	DR-S1-00	84.186	<u>19,823</u>	<u>0</u>	<u>12,707</u>	<u>0</u>
Total Drug-Free School Grant			22,261	0	21,927	0
Technology Literacy Challenge Fund	TF-VM-99	84.318	27,000	0	29,023	0
Class Size Reduction Grant	CR-S1-00	84.340	<u>59,115</u>	<u>0</u>	<u>51,741</u>	<u>0</u>
Total Department of Education			<u>628,846</u>	<u>0</u>	<u>667,726</u>	<u>0</u>
TOTAL FEDERAL ASSISTANCE			<u>\$845,821</u>	<u>\$62,648</u>	<u>\$884,701</u>	<u>\$64,092</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
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Southwest Local School 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 fair market value of 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, 2000, the District had food commodities in inventory.



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REPORT 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 accompanying financial statements of the Southwest Local School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated December 18, 2000. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2000-10431-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 18, 2000.

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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2000-10431-002.

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. Our consideration of the

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

internal control over financial reporting would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.

This report is intended for the information and use of the Audit Committee, the Board of Education, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 18, 2000



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**REPORT 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 South Elm Street
Harrison, Ohio 45030

To the Board of Education:

Compliance

We have audited the compliance of the 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 its major federal program for the fiscal year ended June 30, 2000. 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 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 Southwest Local School District, Hamilton County, Ohio, 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, 2000.

Internal Controls Over Compliance

The management of the Southwest Local School District, Hamilton County, Ohio, 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 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 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 operations that we consider to be material weaknesses.

This report is intended for the information and use of the Audit Committee, the Board of Education, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 18, 2000

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

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)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(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 Program (list):	<i>Title IV-B: Special Education Grants to States, CFDA #84.027</i>
(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**

FINDING NUMBER 2000-10431-001

Material Noncompliance

Ohio Rev. Code, Section 135.142, states in part that a board of education, by two-thirds vote of its members, may authorize the treasurer of the Board of Education to invest up to 25% of interim monies in Commercial Paper notes, provided the notes mature not later than 180 days after purchase. While the District was within the allowable percentage for the investment of interim monies in Commercial Paper notes, 15% of the amount invested in Commercial Paper was in a nine month note and 8% was invested in a seven month note, both exceeding the 180 day limit. The District should exercise due care when purchasing investments to make certain that investments comply with all applicable requirements contained in the Ohio Rev. Code.

FINDING NUMBER 2000-10431-002

Reportable Condition

Our review of the District's detailed outstanding encumbrance listing revealed outstanding encumbrances/purchase orders dating back to July 1, 1998. The outstanding encumbrance listing was scanned for items with invoice dates from July 1, 1998 to December 31, 1999 to determine the amount of outstanding encumbrances within this time period that may not be active purchase orders. We determined that eighteen percent of the outstanding encumbrances for the General Fund, twenty-two percent of Special Revenue Fund, ninety-three percent of Enterprise Fund, and fifty percent for the Agency Fund dated in this period were inactive.

We recommend that the District assign someone to monitor the outstanding encumbrance reports to investigate items with purchase order dates open for six month or longer are still valid or if they need to be closed and deleted from the system. Monitoring of the District's outstanding encumbrances and/or open purchase order reports would assist in determining that correct items are recorded as outstanding, and avoid overstatement of the District's outstanding encumbrances in their financial reports.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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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
JANUARY 18, 2001**