

SOUTHWEST LOCAL SCHOOL DISTRICT

Basic Financial Statements

June 30, 2009



Mary Taylor, CPA

Auditor of State

Board of Education
Southwest Local School District
230 South Elm Street
Harrison, Ohio 45030

We have reviewed the *Independent Auditor's Report* of the Southwest Local School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southwest Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 2, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Southwest Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwest Local School District (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 28, 2009

**Southwest Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)**

The discussion and analysis of Southwest Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets decreased \$1,046,258.
- General revenues accounted for \$32,673,826 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,729,094 or 13% of total revenues of \$37,402,920.
- The District had \$38,449,178 in expenses related to governmental activities; only \$4,729,094 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$32,673,826 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2009?” The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District’s *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District’s programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District’s major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds.

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs.

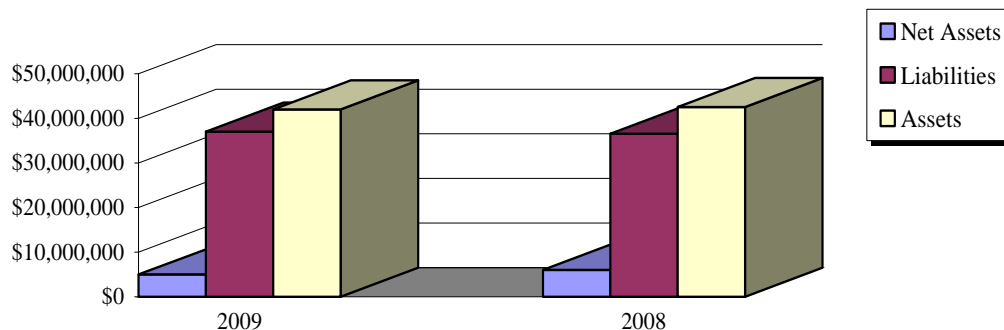
The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2009 compared to 2008:

Table 1
Net Assets

	Governmental Activities	
	2009	2008
Assets:		
Current and Other Assets	\$18,582,837	\$18,365,382
Capital Assets	23,389,717	24,148,539
Total Assets	41,972,554	42,513,921
Liabilities:		
Other Liabilities	14,251,945	12,839,836
Long-Term Liabilities	22,753,819	23,661,037
Total Liabilities	37,005,764	36,500,873
Net Assets		
Invested in Capital Assets, Net of Related Debt	5,628,574	5,185,736
Restricted	3,769,948	3,551,802
Unrestricted	(4,431,732)	(2,724,490)
Total Net Assets	\$4,966,790	\$6,013,048



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$4,966,790 .

At year-end, capital assets represented 56% of total assets. Capital assets include land, land improvements, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2009, was \$5,628,574. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$3,769,948, represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Capital Assets decreased mainly due to current year depreciation expense exceeded current year capital assets additions. Total liabilities remained relatively consistent in fiscal year 2009 as compared to fiscal year 2008.

Table 2 shows the change in net assets for fiscal year 2009 and 2008.

Table 2
Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues:		
Program Revenues		
Charges for Services and Sales	\$1,726,992	\$1,758,899
Operating Grants and Contributions	2,955,593	2,971,599
Capital Grants and Contributions	46,509	21,026
General Revenue:		
Income Taxes	2,741,283	2,566,331
Property Taxes	12,891,392	13,670,147
Grants and Entitlements	16,414,413	15,424,784
Other	626,738	486,605
Total Revenues	<u>37,402,920</u>	<u>36,899,391</u>
Program Expenses:		
Instruction	22,382,167	21,497,635
Support Services:		
Pupil and Instructional Staff	2,879,069	2,752,890
General and School Administrative and Fiscal	3,687,039	3,739,466
Operations and Maintenance	3,928,325	3,548,226
Pupil Transportation	1,898,224	1,893,750
Central	56,008	68,998
Operation of Non-Instructional Services	1,818,588	2,263,871
Extracurricular Activities	921,614	821,616
Interest and Fiscal Charges	878,144	1,511,084
Total Expenses	<u>38,449,178</u>	<u>38,097,536</u>
Change in Net Assets	(1,046,258)	(1,198,145)
Beginning Net Assets	<u>6,013,048</u>	<u>7,211,193</u>
Ending Net Assets	<u><u>\$4,966,790</u></u>	<u><u>\$6,013,048</u></u>

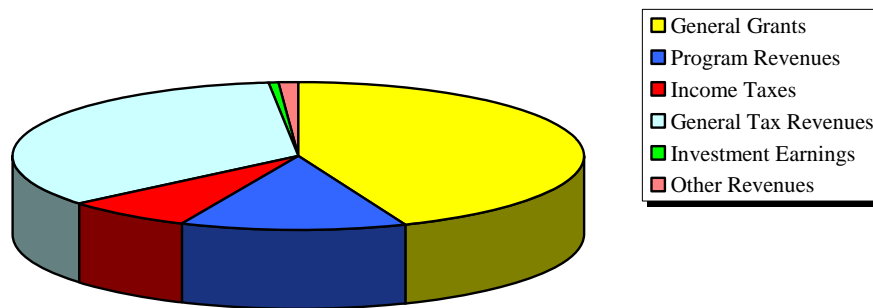
The District revenues are mainly from three sources. Income taxes, property taxes levied for general and debt service purposes and grants and entitlements comprised 86% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not collect additional property taxes on the increase in property value due to the increase in appraisal value and must regularly return to the voters to maintain a constant level of service. Property taxes made up 34% of revenue for governmental activities for the District in fiscal year 2009.

**Governmental Activities
Revenue Sources**

		<u>Percentage</u>
General Grants	\$16,414,413	43.89%
Program Revenues	4,729,094	12.64%
Income Taxes	2,741,283	7.33%
General Tax Revenues	12,891,392	34.47%
Investment Earnings	165,408	0.44%
Other Revenues	<u>461,330</u>	<u>1.23%</u>
Total Revenue Sources	<u>\$37,402,920</u>	<u>100.00%</u>



Instruction comprises 58.2% of total governmental program expenses. Support services expenses were 32.4% of total governmental program expenses. All other expenses and interest expense was 9.4%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Grants and Entitlements increased mainly due to an increase in grant monies received as a result of the property tax phase-out. Instruction expenses increased mainly due to an increase in personnel costs and general inflationary costs.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	\$22,382,167	\$21,497,635	(\$20,347,809)	(\$19,621,855)
Support Services:				
Pupil and Instructional Staff	2,879,069	2,752,890	(2,572,327)	(2,321,733)
General and School Administrative and Fiscal	3,687,039	3,739,466	(3,632,891)	(3,720,469)
Operations and Maintenance	3,928,325	3,548,226	(3,853,508)	(3,512,928)
Pupil Transportation	1,898,224	1,893,750	(1,826,124)	(1,820,549)
Central	56,008	68,998	(35,008)	(68,998)
Operation of Non-Instructional Services	1,818,588	2,263,871	64,854	(168,226)
Extracurricular Activities	921,614	821,616	(639,127)	(600,170)
Interest and Fiscal Charges	878,144	1,511,084	(878,144)	(1,511,084)
Total Expenses	<u>\$38,449,178</u>	<u>\$38,097,536</u>	<u>(\$33,720,084)</u>	<u>(\$33,346,012)</u>

The District's Major Funds

The District has two major governmental funds: the General Fund and the Debt Service Fund. Assets of the general fund comprised \$13,073,577 (71%) and the debt service fund comprised \$4,128,278 (22%) of the total \$18,442,699 governmental funds assets.

General Fund: Fund balance at June 30, 2009 was (\$702,454) a decrease in fund balance of \$1,332,945 from 2008. The primary reasons for the decrease in fund balance are due to general inflationary increases in regular instruction and operations and maintenance expense.

Debt Service Fund: Fund balance at June 30, 2009 was \$2,962,019 including \$2,379,019 of unreserved balance, an increase in fund balance of \$164,404 from 2008. The fund balance remained relatively consistent in 2009 as compared to 2008.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2009, the District amended its general fund budget two times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, final budget basis revenue was \$31,889,507, which is above the original budget revenue estimates of \$30,705,813. The difference was mostly due to a conservative original estimate for taxes and intergovernmental revenue.

The District’s ending unobligated cash balance was \$136,630, below the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At fiscal year end, the District had \$23,389,717 invested in land, land improvements, buildings and improvements and equipment. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

Table 4
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	\$2,875,501	\$2,875,501
Land Improvements	1,075,098	1,206,009
Buildings and Improvements	18,382,128	19,039,436
Equipment	1,056,990	1,027,593
Total Net Capital Assets	<u>\$23,389,717</u>	<u>\$24,148,539</u>

The overall decrease in capital assets is due to current year depreciation expense exceeding current year capital asset additions.

See Note 6 to the basic financial statements for further details on the District’s capital assets.

Debt

At June 30, 2009, the District had \$18,049,137 in bonds and notes outstanding, \$1,920,000 due within one year. Table 5 summarizes bonds and notes outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2009	2008
<u>General Obligation Bonds and Notes:</u>		
1999 School Improvement Bonds A	\$3,260,000	\$3,515,000
1999 School Improvement Bonds B	3,250,000	3,495,000
2006 School Facilities Bond - Refunding Bonds	1,130,000	1,660,000
2005 Notes Payable	800,000	1,100,000
2008 Refunding Bonds:		
Current Interest Bonds A	4,465,000	4,480,000
Capital Appreciation Bonds A	55,000	55,000
Accretion of Interest A	144,653	131,456
Current Interest Bonds B	4,590,000	4,600,000
Capital Appreciation Bonds B	50,000	50,000
Accretion of Interest B	143,341	130,281
Premium on 2008 A and B Refunding Bonds	437,521	461,278
Deferred Amount on 2008 A and B Refunding	<u>(276,378)</u>	<u>(305,728)</u>
Total	<u>\$18,049,137</u>	<u>\$19,372,287</u>

See Note 7 to the basic financial statements for further details on the District's long-term obligations.

For the Future

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gregory P. Bybee, Treasurer at Southwest Local School District, 230 South Elm Street, Harrison, Ohio 45030, or e-mail at greg.bybee@southwestschools.org.

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Southwest Local School District
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$3,554,235
Receivables:	
Taxes	14,050,866
Accounts	78,338
Intergovernmental	759,260
Deferred Bond Issuance Costs	140,138
Nondepreciable Capital Assets	2,875,501
Depreciable Capital Assets, Net	<u>20,514,216</u>
 Total Assets	 <u>41,972,554</u>
Liabilities:	
Accounts Payable	899,242
Accrued Wages and Benefits	4,084,452
Accrued Interest Payable	71,839
Unearned Revenue	9,196,412
Long-Term Liabilities:	
Due Within One Year	2,335,667
Due In More Than One Year	<u>20,418,152</u>
 Total Liabilities	 <u>37,005,764</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	5,628,574
Restricted for:	
Special Revenue	587,556
Debt Service	3,171,453
Capital Projects	10,939
Unrestricted	<u>(4,431,732)</u>
 Total Net Assets	 <u><u>\$4,966,790</u></u>

See accompanying notes to the basic financial statements.

Southwest Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$17,294,518	\$205,866	\$205,028	\$0
Special	4,151,909	5,710	1,475,371	0
Vocational	290,740	0	30,961	0
Other	645,000	16,750	94,672	0
Support Services:				
Pupil	1,539,493	0	143,142	0
Instructional Staff	1,339,576	0	163,600	0
General Administration	64,044	0	0	0
School Administration	2,658,002	0	24,703	0
Fiscal	964,993	20,142	9,303	0
Operations and Maintenance	3,928,325	62,284	12,533	0
Pupil Transportation	1,898,224	0	25,591	46,509
Central	56,008	0	21,000	0
Operation of Non-Instructional Services	1,818,588	1,133,753	749,689	0
Extracurricular Activities	921,614	282,487	0	0
Interest and Fiscal Charges	878,144	0	0	0
Total Governmental Activities	\$38,449,178	\$1,726,992	\$2,955,593	\$46,509

General Revenues:
Income Taxes
Property Taxes Levied for:
 General Purposes
 Debt Service Purposes
Grants and Entitlements not Restricted to Specific Programs
Payment in Lieu of Taxes
Unrestricted Contributions
Investment Earnings
Other Revenues

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets
Governmental
Activities

(\$16,883,624)
(2,670,828)
(259,779)
(533,578)
(1,396,351)
(1,175,976)
(64,044)
(2,633,299)
(935,548)
(3,853,508)
(1,826,124)
(35,008)
64,854
(639,127)
(878,144)
<u>(33,720,084)</u>

2,741,283
11,123,825
1,767,567
16,414,413
112,084
12,146
165,408
337,100
<u>32,673,826</u>
(1,046,258)
<u>6,013,048</u>
<u>\$4,966,790</u>

Southwest Local School District
Balance Sheet
Governmental Funds
June 30, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$246,630	\$2,288,933	\$1,018,672	\$3,554,235
Receivables:				
Taxes	12,301,607	1,749,259	0	14,050,866
Accounts	4,515	0	73,823	78,338
Intergovernmental	520,825	90,086	148,349	759,260
Total Assets	<u>13,073,577</u>	<u>4,128,278</u>	<u>1,240,844</u>	<u>18,442,699</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	842,237	0	57,005	899,242
Accrued Wages and Benefits	3,718,374	0	366,078	4,084,452
Compensated Absences	233,537	0	4,771	238,308
Deferred Revenue	8,981,883	1,166,259	78,524	10,226,666
Total Liabilities	<u>13,776,031</u>	<u>1,166,259</u>	<u>506,378</u>	<u>15,448,668</u>
Fund Balances:				
Reserved for Encumbrances	82,500	0	59,818	142,318
Reserved for Property Tax Advances	2,307,000	583,000	0	2,890,000
Unreserved, Undesignated, Reported in:				
General Fund	(3,091,954)	0	0	(3,091,954)
Special Revenue Funds	0	0	664,597	664,597
Debt Service Funds	0	2,379,019	0	2,379,019
Capital Projects Funds	0	0	10,051	10,051
Total Fund Balances	<u>(702,454)</u>	<u>2,962,019</u>	<u>734,466</u>	<u>2,994,031</u>
Total Liabilities and Fund Balances	<u>\$13,073,577</u>	<u>\$4,128,278</u>	<u>\$1,240,844</u>	<u>\$18,442,699</u>

See accompanying notes to the basic financial statements.

Southwest Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2009

Total Governmental Fund Balance		\$2,994,031
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,389,717
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	951,730	
Intergovernmental	<u>78,524</u>	
		1,030,254
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(71,839)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(4,466,374)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		140,138
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(18,049,137)</u>
Net Assets of Governmental Activities		<u><u>\$4,966,790</u></u>

See accompanying notes to the basic financial statements.

Southwest Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$13,829,887	\$1,757,690	\$0	\$15,587,577
Revenue in lieu of taxes	112,084	0	0	112,084
Tuition and Fees	74,378	0	0	74,378
Investment Earnings	140,817	0	24,591	165,408
Intergovernmental	16,928,034	299,647	2,120,373	19,348,054
Extracurricular Activities	0	0	282,487	282,487
Charges for Services	0	0	1,327,149	1,327,149
Other Revenues	123,632	46	130,355	254,033
Total Revenues	31,208,832	2,057,383	3,884,955	37,151,170
Expenditures:				
Current:				
Instruction:				
Regular	15,762,003	0	317,111	16,079,114
Special	3,317,657	0	675,168	3,992,825
Vocational	265,784	0	0	265,784
Other	582,769	0	62,231	645,000
Support Services:				
Pupil	1,345,354	0	142,108	1,487,462
Instructional Staff	1,161,353	0	147,173	1,308,526
General Administration	64,044	0	0	64,044
School Administration	2,497,444	4,676	132,520	2,634,640
Fiscal	902,852	26,793	28,076	957,721
Operations and Maintenance	3,889,979	0	72,506	3,962,485
Pupil Transportation	1,966,676	0	0	1,966,676
Central	29,044	0	26,964	56,008
Operation of Non-Instructional Services	0	0	1,843,390	1,843,390
Extracurricular Activities	596,875	0	300,008	896,883
Capital Outlay	0	0	73,329	73,329
Debt Service:				
Principal Retirement	250,000	1,055,000	50,000	1,355,000
Interest and Fiscal Charges	39,160	806,510	0	845,670
Total Expenditures	32,670,994	1,892,979	3,870,584	38,434,557
Excess of Revenues Over (Under) Expenditures	(1,462,162)	164,404	14,371	(1,283,387)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	130,217	0	7,973	138,190
Transfers In	0	0	1,000	1,000
Transfers (Out)	(1,000)	0	0	(1,000)
Total Other Financing Sources (Uses)	129,217	0	8,973	138,190
Net Change in Fund Balance	(1,332,945)	164,404	23,344	(1,145,197)
Fund Balance Beginning of Year	630,491	2,797,615	711,122	4,139,228
Fund Balance End of Year	(\$702,454)	\$2,962,019	\$734,466	\$2,994,031

See accompanying notes to the basic financial statements.

Southwest Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balance - Total Governmental Funds (\$1,145,197)

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

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	300,628	
Depreciation Expense	<u>(1,059,450)</u>	(758,822)

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

Delinquent Property Taxes	45,098	
Intergovernmental	<u>68,462</u>	113,560

Repayment of loan, bonds, and capital lease principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 1,355,000

In the statement of activities interest expense is accrued when incurred,
 whereas in governmental funds an interest expenditure is reported
 when due. 6,985

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	(578,325)	
Amortization of Bond Issuance Cost	(7,609)	
Amortization of Bond Premium	23,757	
Amortization of Deferred Charge on Refunding	(29,350)	
Bond Accretion	<u>(26,257)</u>	(617,784)

Change in Net Assets of Governmental Activities (\$1,046,258)

See accompanying notes to the basic financial statements.

Southwest Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$6,664	\$105,974
Receivables:		
Accounts	0	262
	<u> </u>	<u> </u>
Total Assets	<u>6,664</u>	<u>106,236</u>
Liabilities:		
Accounts Payable	150	2,952
Other Liabilities	0	103,284
	<u> </u>	<u> </u>
Total Liabilities	<u>150</u>	<u>\$106,236</u>
Net Assets:		
Held in Trust	<u>6,514</u>	
Total Net Assets	<u>\$6,514</u>	

See accompanying notes to the basic financial statements.

Southwest Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2009

	<u>Private Purpose Trust</u>
Additions:	
Donations	<u>\$8,400</u>
Total Additions	<u>8,400</u>
Deductions:	
Scholarships	<u>10,968</u>
Total Deductions	<u>10,968</u>
Change in Net Assets	(2,568)
Net Assets Beginning of Year	<u>9,082</u>
Net Assets End of Year	<u><u>\$6,514</u></u>

See accompanying notes to the basic financial statements.

**Southwest Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30, 2009**

NOTE 1 – DESCRIPTION OF THE DISTRICT

The Southwest Local School 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 150 non-certificated personnel and 238 certificated full time teaching and administrative personnel to provide services to students and other community members.

The District enrollment for October 2008 was 3,726. It currently operates six elementary schools, one junior school (grades 7-8), and one comprehensive high school (grades 9-12).

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

This District is associated with two organizations which are defined as jointly governed organizations. These organizations are the Hamilton/Clermont Cooperative Association and Great Oaks Institute of Technology and Career Development. These organizations are presented in Note 13.

NOTE 2 – 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 most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

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

Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has a student activity fund which accounts for assets and liabilities generated by student managed activities. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2009. 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 Rule2A7 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, 2009.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2009 amounted to \$140,817 in the general fund and \$24,591 in other governmental funds.

For presentation on the financial statements, all investments of the cash management pool are considered to be cash equivalents.

INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of food held for resale and consumable supplies. The District had no inventory as of year end.

CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District has a capitalization threshold of \$2,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10-45 years
Buildings and Improvements	10-45 years
Equipment	5-20 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for compensated absences are recognized when paid, or in the case of termination benefits, when due for payment. These amounts due at year end are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the 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	11-26 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	20 days	26 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	None	None
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators</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	275 days	280 days	275 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$3,769,948 in restricted net assets, none were restricted by enabling legislation.

INTERFUND ACTIVITY

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

FUND EQUITY

Reserved fund balances indicate a 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 and property tax advances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

ESTIMATES

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

NOTE 3 – EQUITY IN POOLED CASH AND 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.

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) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, by a line of credit, or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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 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.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities or a line of credit. As of June 30, 2009, \$450,100 of the District's bank balance of \$1,802,594 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of 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 all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2009, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$2,151,548	0.00
STAROhio	15,069	0.16
Total Fair Value	<u>\$2,166,617</u>	
Portfolio Weighted Average Maturity		0.001

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in the Money Market Funds were rated AAA by Standard and Poor’s and Fitch ratings and Aaa by Moody’s Investment Service. Investments in STAROhio were rated AAAM by Standard & Pools.

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested 99% of the District’s investments in Money Market Funds and 1% in STAROhio.

Custodial credit risk – It is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

NOTE 4 – PROPERTY AND INCOME TAXES

Property Tax

Real property taxes collected in 2009 were levied in April on the assessed values as of January 1, 2008, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2009, 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 Hamilton County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2009. Delinquent property taxes collected within 60 days of the fiscal year end are included as a receivable and tax revenue on the fund financial statements. 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 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, 2009, was \$2,307,000 for General Fund and \$583,000 for Debt Service Fund and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2009 operations.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$520,648,820
Public Utility Personal	17,325,730
Tangible Personal Property	<u>13,905,325</u>
Total	<u><u>\$551,879,875</u></u>

Income Tax

The District levies a voted tax of .75 percent for general operations on the earned income of residents. The tax was effective on January 1, 2007, and is a continuous levy. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 5 – RECEIVABLES

Receivables at June 30, 2009, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,875,501	\$0	\$0	\$2,875,501
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,729,562	0	0	2,729,562
Buildings and Improvements	31,847,291	0	0	31,847,291
Equipment	<u>5,315,344</u>	<u>300,628</u>	<u>28,222</u>	<u>5,587,750</u>
Totals at Historical Cost	<u>42,767,698</u>	<u>300,628</u>	<u>28,222</u>	<u>43,040,104</u>
Less Accumulated Depreciation:				
Land Improvements	1,523,553	130,911	0	1,654,464
Buildings and Improvements	12,807,855	657,308	0	13,465,163
Equipment	<u>4,287,751</u>	<u>271,231</u>	<u>28,222</u>	<u>4,530,760</u>
Total Accumulated Depreciation	<u>18,619,159</u>	<u>1,059,450</u>	<u>28,222</u>	<u>19,650,387</u>
Governmental Activities Capital Assets, Net	<u>\$24,148,539</u>	<u>(\$758,822)</u>	<u>\$0</u>	<u>\$23,389,717</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$730,244
Special	32,635
Vocational	270
Support Services:	
Pupils	879
Instructional Staff	20,166
School Administration	49,365
Operations and Maintenance	54,137
Pupil Transportation	90,315
Operation of Non-Instructional Services	65,675
Extracurricular Activities	15,764
Total Depreciation Expense	<u><u>\$1,059,450</u></u>

NOTE 7 – LONG-TERM LIABILITIES

	Interest Rate	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities						
<u>General Obligation Bonds and Notes:</u>						
1999 School Improvement A	4.96%	\$3,515,000	\$0	(\$255,000)	\$3,260,000	\$265,000
1999 School Improvement B	5.05%	3,495,000	0	(245,000)	3,250,000	255,000
2006 School Facilities - Refunding Bonds	4.50%	1,660,000	0	(530,000)	1,130,000	550,000
2005 Notes Payable	3.67%	1,100,000	0	(300,000)	800,000	800,000
2008 A Refunding Bonds:						
Current Interest Bonds	4.00%	4,480,000	0	(15,000)	4,465,000	25,000
Capital Appreciation Bonds	4.00%	55,000	0	0	55,000	0
Accretion of Interest		131,456	13,197	0	144,653	0
2008 B Refunding Bonds:						
Current Interest Bonds	4.00%	4,600,000	0	(10,000)	4,590,000	25,000
Capital Appreciation Bonds	4.00%	50,000	0	0	50,000	0
Accretion of Interest		130,281	13,060	0	143,341	0
Premium on 2008 A and B Refunding Bonds		461,278	0	(23,757)	437,521	0
Deferred Amount on 2008 A and B Refunding Bonds		(305,728)	0	29,350	(276,378)	0
Total Bonds and Notes		<u>19,372,287</u>	<u>26,257</u>	<u>(1,349,407)</u>	<u>18,049,137</u>	<u>1,920,000</u>
Compensated Absences		<u>4,288,750</u>	<u>1,024,707</u>	<u>(608,775)</u>	<u>4,704,682</u>	<u>415,667</u>
Total Governmental Activities Long-Term Liabilities		<u><u>\$23,661,037</u></u>	<u><u>\$1,050,964</u></u>	<u><u>(\$1,958,182)</u></u>	<u><u>\$22,753,819</u></u>	<u><u>\$2,335,667</u></u>

General obligation bonds will be paid from the debt service fund. The notes will be paid from the general and permanent improvement fund. Compensated absences will be paid from the fund from which the person is paid.

On March 15, 2005, the District issued \$2,000,000 in General Obligation Notes with an interest rate of 3.67%. The net proceeds were used to purchase 63.51 acres of land.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds and Notes			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$1,920,000	\$788,142	\$2,708,142	\$0	\$0	\$0
2011	1,170,000	704,657	1,874,657	0	0	0
2012	620,000	657,967	1,277,967	0	0	0
2013	645,000	622,762	1,267,762	0	0	0
2014	680,000	585,847	1,265,847	0	0	0
2015-2019	3,955,000	2,352,601	6,307,601	0	0	0
2020-2024	3,890,000	1,521,365	5,411,365	105,000	825,000	930,000
2025-2028	4,615,000	428,062	5,043,062	0	0	0
Total	<u>\$17,495,000</u>	<u>\$7,661,403</u>	<u>\$25,156,403</u>	<u>\$105,000</u>	<u>\$825,000</u>	<u>\$930,000</u>

NOTE 8 – PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District’s financial statements. On June 30, 2009, the \$1,130,000 of the 2006 School Facilities Bonds outstanding are considered defeased.

On June 30, 2009, the \$9,310,000 of the 1999 A and B School Improvements defeased Bonds were paid off.

NOTE 9 - PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09%. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the years ended June 30, 2009, 2008, and 2007 were \$537,012, \$518,880 and \$542,724 respectively; 48% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2009, 2008, and 2007 were \$2,207,844, \$2,163,516 and \$2,212,608, respectively; 83% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

NOTE 10 - POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. District contributions for the year ended June 30, 2009, 2008 and 2007 were \$28,769, \$25,203 and \$29,075, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2009, 2008, and 2007 were \$159,569, \$123,049, and \$128,703, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2009, 2008 and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2009, 2008, and 2007 were \$157,703, \$154,537, and \$158,043, respectively.

NOTE 11 – 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 as of June 30, 2009.

LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

NOTE 12 – 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, Robert Giuffré, who serves as Chief Financial Officer, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

NOTE 13 – RISK MANAGEMENT

The 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 the fiscal year, the District contracted with Indiana Insurance for fleet and liability insurance and Inland Marine coverage for property insurance.

Coverages provided by Indiana Insurance are as follows:

Building and Contents-replacement cost (\$10,000 deductible)	\$80,571,200
Inland Marine Coverage (\$1,000 deductible)	
Musical Instruments (\$250 deductible)	50,650
1999 John Deer Mower (\$500 deductible)	7,000
Automobile Liability (\$1,000 deductible)	1,000,000
Uninsured Motorists (\$1,000 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate	2,000,000
Umbrella Liability	10,000,000

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

NOTE 14 – FUND BALANCE RESERVES FOR SET-ASIDES

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

The District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2008	(\$499,512)	\$0	\$177,561
Current Year Set-aside Requirement	569,345	569,345	0
Qualified Disbursements	(793,633)	(1,034,309)	(177,561) *
Set-aside Reserve Balance as of June 30, 2009	<u>(\$723,800)</u>	<u>(\$464,964)</u>	<u>\$0</u>
Restricted Cash as of June 30, 2009	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Carried Forward to FY 2010	<u>(\$723,800)</u>		

* - The Board of Education approved the elimination of the Budget Stabilization Reserve using the guidelines of Senate Bill 345.

Offsets/expenditures for textbook activity during the year exceeded the required set-aside and the reserve balance. The surplus of \$723,800 above may be carried forward to reduce the amount of the required set-aside in succeeding fiscal years.

Expenditures for capital activity during the year totaled \$1,034,309 above, which exceeded the required set-aside and the reserve balance. Although the District had qualifying disbursements during the year that reduced the Capital Acquisition set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 15 – ACCOUNTABILITY AND COMPLIANCE

ACCOUNTABILITY

The following funds had a deficit in fund balance:

	<u>Deficit</u>
General Fund	\$702,454
Other Governmental Funds:	
Title VI-B	61,533
Title I	73,008
Improving Teacher Quality	41,271

The deficit in fund balance was due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

COMPLIANCE

Ohio Revised Code Section 5705.41(B) states that actual expenditures should not exceed appropriations plus prior year encumbrances. It was noted that expenditures exceeded appropriations at year end in the following fund: General Fund, \$154,739.

NOTE 16 - INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2009, consisted of the following transfer in and transfer out:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$0	\$1,000
Other Governmental Funds	<u>1,000</u>	<u>0</u>
Total All Funds	<u><u>\$1,000</u></u>	<u><u>\$1,000</u></u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

REQUIRED SUPPLEMENTARY INFORMATION

Southwest Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$14,484,768	\$15,043,149	\$15,051,610	\$8,461
Revenue in lieu of taxes	107,863	112,021	112,084	63
Tuition and Fees	71,577	74,336	74,378	42
Investment Earnings	135,514	140,738	140,817	79
Intergovernmental	15,789,316	16,397,986	16,407,209	9,223
Other Revenues	116,775	121,277	121,345	68
Total Revenues	30,705,813	31,889,507	31,907,443	17,936
Expenditures:				
Current:				
Instruction:				
Regular	14,742,225	15,378,001	15,450,806	(72,805)
Special	3,138,845	3,274,212	3,289,713	(15,501)
Vocational	253,426	264,355	265,607	(1,252)
Other	555,803	579,773	582,518	(2,745)
Support Services:				
Pupil	1,288,056	1,343,605	1,349,966	(6,361)
Instructional Staff	1,111,675	1,159,617	1,165,107	(5,490)
General Administration	64,575	67,360	67,679	(319)
School Administration	2,596,925	2,708,921	2,721,746	(12,825)
Fiscal	868,814	906,282	910,573	(4,291)
Operations and Maintenance	3,768,719	3,931,249	3,949,861	(18,612)
Pupil Transportation	1,910,141	1,992,518	2,001,951	(9,433)
Central	27,712	28,907	29,044	(137)
Extracurricular Activities	560,407	584,575	587,343	(2,768)
Debt Service:				
Principal Retirement	250,000	248,822	250,000	(1,178)
Interest and Fiscal Charges	25,899	38,975	39,160	(185)
Total Expenditures	31,163,222	32,507,172	32,661,074	(153,902)
Excess of Revenues Over (Under) Expenditures	(457,409)	(617,665)	(753,631)	(135,966)
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	125,313	130,144	130,217	73
Transfers In	170,874	177,461	177,561	100
Transfers (Out)	(169,418)	(176,724)	(177,561)	(837)
Total Other Financing Sources (Uses)	126,769	130,881	130,217	(664)
Net Change in Fund Balance	(330,640)	(486,784)	(623,414)	(136,630)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	780,055	780,055	780,055	0
Fund Balance End of Year	\$449,415	\$293,271	\$156,641	(\$136,630)

See accompanying notes to the required supplementary information.

**Southwest Local School District
Notes to the Required Supplementary Information
For The Year Ended June 30, 2009**

NOTE 1 – BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2009.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$1,332,945)
Net Adjustment for Revenue Accruals	698,611
Net Adjustment for Expenditure Accruals	99,909
Transfers In	177,561
Transfers (Out)	(176,561)
Encumbrances	<u>(89,989)</u>
Budget Basis	<u><u>(\$623,414)</u></u>

SOUTHWEST LOCAL SCHOOL DISTRICT

Single Audit Report

June 30, 2009

SOUTHWEST LOCAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grant/ 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						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	112,891	0	112,891	0
National School Lunch Program	3L60	10.555	339,546	56,163	339,546	56,163
Total Nutrition Cluster			<u>452,437</u>	<u>56,163</u>	<u>452,437</u>	<u>56,163</u>
Total U.S. Department of Agriculture			<u>452,437</u>	<u>56,163</u>	<u>452,437</u>	<u>56,163</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	690,328	0	645,149	0
Total Special Education Cluster			<u>690,328</u>	<u>0</u>	<u>645,149</u>	<u>0</u>
Title I Grants to Local Educational Agencies	3M00	84.010	408,530	0	390,963	0
Safe and Drug Free Schools and Communities	3D10	84.186	8,505	0	8,971	0
State Grants for Innovative Programs	3M10	84.298	8,632	0	10,213	0
Education Technology State Grants	3S20	84.318	6,743	0	7,120	0
Improving Teacher Quality	3Y60	84.367	135,574	0	133,290	0
Total Department of Education			<u>1,258,312</u>	<u>0</u>	<u>1,195,706</u>	<u>0</u>
Total Federal Assistance			<u>\$1,710,749</u>	<u>\$56,163</u>	<u>\$1,648,143</u>	<u>\$56,163</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Education
Southwest Local School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Local School District (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 28, 2009.

This report is intended solely for the information and use of management, the Auditor of State, the 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 28, 2009

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

To the Board of Education
Southwest Local School District

Compliance

We have audited the compliance of the Southwest Local School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Auditor of State, the 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.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 28, 2009

SOUTHWEST LOCAL SCHOOL DISTRICT

June 30, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

1. SUMMARY OF AUDITOR'S RESULTS

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

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

None Noted

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Education
Southwest Local School District

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Southwest Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on September 18, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's right under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
December 28, 2009



Mary Taylor, CPA
Auditor of State

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
FEBRUARY 16, 2010