



**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Southwest Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 31, 2001

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Southwest Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$8,107,995	\$314,961	\$1,125,285	\$11,597,240
Restricted Equity in Pooled Cash and Investments	177,561	0	0	0
Receivables:				
Taxes	9,727,893	0	1,968,150	272,052
Intergovernmental	0	0	0	0
Accounts	8,858	4,896	0	0
Inventory	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets & Other Debits	\$18,022,307	\$319,857	\$3,093,435	\$11,869,292
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$6,168	\$1,682	\$0	\$0
Accrued Wages & Benefits	2,258,525	92,544	0	0
Compensated Absences Payable	138,506	0	0	0
Deferred Revenue	7,904,263	0	1,538,924	216,260
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	10,307,462	94,226	1,538,924	216,260
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	107,508	85,046	0	5,530,342
Reserved for Property Tax Advances	1,823,630	0	429,226	55,792
Reserved for Set-Asides	177,561	0	0	0
Unreserved & Undesignated	5,606,146	140,585	1,125,285	6,066,898
Total Fund Equity (Deficit) & Other Credits	7,714,845	225,631	1,554,511	11,653,032
Total Liabilities, Fund Equity & Other Credits	\$18,022,307	\$319,857	\$3,093,435	\$11,869,292

See accompanying notes.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$256,217	\$2,312	\$65,305	\$0	\$0	\$21,469,315
0	0	0	0	0	177,561
0	0	0	0	0	11,968,095
29,015	0	0	0	0	29,015
999	0	317	0	0	15,070
16,777	0	0	0	0	16,777
290,558	0	0	35,663,560	0	35,954,118
0	0	0	0	1,554,511	1,554,511
0	0	0	0	22,515,830	22,515,830
<u>\$593,566</u>	<u>\$2,312</u>	<u>\$65,622</u>	<u>\$35,663,560</u>	<u>\$24,070,341</u>	<u>\$93,700,292</u>
\$20	\$0	\$0	\$0	\$0	\$7,870
83,318	0	0	0	133,858	2,568,245
0	0	0	0	1,371,491	1,509,997
11,047	0	0	0	0	9,670,494
0	0	54,348	0	0	54,348
0	0	0	0	22,564,992	22,564,992
<u>94,385</u>	<u>0</u>	<u>54,348</u>	<u>0</u>	<u>24,070,341</u>	<u>36,375,946</u>
0	0	0	35,663,560	0	35,663,560
499,181	2,312	0	0	0	501,493
0	0	0	0	0	5,722,896
0	0	0	0	0	2,308,648
0	0	0	0	0	177,561
0	0	11,274	0	0	12,950,188
<u>499,181</u>	<u>2,312</u>	<u>11,274</u>	<u>35,663,560</u>	<u>0</u>	<u>57,324,346</u>
<u>\$593,566</u>	<u>\$2,312</u>	<u>\$65,622</u>	<u>\$35,663,560</u>	<u>\$24,070,341</u>	<u>\$93,700,292</u>

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Southwest Local School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$9,526,503	\$0	\$1,867,081	\$266,045	\$0	\$11,659,629
Intergovernmental	12,310,639	1,104,806	214,777	202,020	0	13,832,242
Investment	774,859	4,903	0	801,641	0	1,581,403
Tuition & Fees	85,468	0	0	0	0	85,468
Extracurricular Activities	0	187,869	0	0	0	187,869
Miscellaneous	125,191	169,983	0	0	11,128	306,302
Total Revenues	22,822,660	1,467,561	2,081,858	1,269,706	11,128	27,652,913
Expenditures:						
Current:						
Instruction:						
Regular	11,268,582	332,347	0	77,029	3,499	11,681,457
Special	1,600,068	320,423	0	0	0	1,920,491
Vocational	250,548	0	0	0	0	250,548
Other	39,907	0	0	0	0	39,907
Support Services:						
Pupils	770,084	265,733	0	0	11,690	1,047,507
Instructional Staff	912,290	57,250	0	0	0	969,540
Board of Education	56,183	0	0	0	0	56,183
Administration	2,140,991	159,032	3,598	491	0	2,304,112
Fiscal	478,259	0	26,544	3,721	0	508,524
Operation & Maintenance of Plant	2,470,262	7,047	0	0	0	2,477,309
Pupil Transportation	1,526,462	5,000	0	0	0	1,531,462
Central	21,135	28,106	0	0	0	49,241
Operation of Non-Instructional Services	0	235,455	0	0	0	235,455
Extracurricular Activities	383,218	193,920	0	0	0	577,138
Capital Outlay	0	0	0	6,802,859	0	6,802,859
Debt Service:						
Principal Retirement	0	0	795,000	0	0	795,000
Interest & Fiscal Charges	0	0	1,111,978	0	0	1,111,978
Total Expenditures	21,917,989	1,604,313	1,937,120	6,884,100	15,189	32,358,711
Excess of Revenues Over (Under) Expenditures	904,671	(136,752)	144,738	(5,614,394)	(4,061)	(4,705,798)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	3,483	0	0	0	0	3,483
Total Other Financing Sources (Uses)	3,483	0	0	0	0	3,483
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	908,154	(136,752)	144,738	(5,614,394)	(4,061)	(4,702,315)
Fund Balance, Beginning of Year	6,806,691	362,383	1,409,773	17,267,426	15,335	25,861,608
Fund Balance, End of Year	\$7,714,845	\$225,631	\$1,554,511	\$11,653,032	\$11,274	\$21,159,293

See accompanying notes.

Southwest Local School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$9,727,893	\$9,727,893	\$0	\$0	\$0	\$0
Intergovernmental	12,326,933	12,326,933	0	1,097,212	1,104,806	7,594
Investment	748,072	782,345	34,273	4,903	4,903	0
Tuition & Fees	69,174	69,174	0	0	0	0
Extracurricular Activities	0	0	0	184,066	185,952	1,886
Miscellaneous	126,525	126,525	0	173,017	169,476	(3,541)
Total Revenues	22,998,597	23,032,870	34,273	1,459,198	1,465,137	5,939
Expenditures:						
Current:						
Instruction:						
Regular	11,208,690	11,208,690	0	332,400	332,400	0
Special	1,597,427	1,597,427	0	315,601	315,601	0
Vocational	227,045	227,045	0	0	0	0
Other	39,870	39,870	0	5,706	5,706	0
Support Services:						
Pupils	748,628	748,628	0	267,030	267,030	0
Instructional Staff	906,432	906,432	0	57,945	57,945	0
Board of Education	56,233	56,233	0	0	0	0
Administration	2,153,429	2,153,429	0	163,857	163,857	0
Fiscal	476,256	476,256	0	0	0	0
Operation & Maintenance of Plant	2,491,926	2,491,926	0	7,047	7,047	0
Pupil Transportation	1,584,823	1,584,823	0	5,000	5,000	0
Central	21,135	21,135	0	22,400	22,400	0
Operation of Non-Instructional Services	0	0	0	311,917	311,917	0
Extracurricular Activities	371,916	371,916	0	198,089	198,089	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
Total Expenditures	21,883,810	21,883,810	0	1,686,992	1,686,992	0
Excess (Deficiency) of Revenues Over Under Expenditures	1,114,787	1,149,060	34,273	(227,794)	(221,855)	5,939
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	3,483	3,483	0	0	0	0
Total Other Financing Sources (Uses)	3,483	3,483	0	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	1,118,270	1,152,543	34,273	(227,794)	(221,855)	5,939
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	7,020,647	7,020,647	0	450,495	450,495	0
Fund Balance, End of Year	\$8,138,917	\$8,173,190	\$34,273	\$222,701	\$228,640	\$5,939

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$1,968,150	\$1,968,150	\$0	\$272,052	\$272,052	\$0	\$11,968,095	\$11,968,095	\$0
193,812	193,812	0	202,020	202,020	0	13,819,977	13,827,571	7,594
0	0	0	810,000	801,641	(8,359)	1,562,975	1,588,889	25,914
0	0	0	0	0	0	69,174	69,174	0
0	0	0	0	0	0	184,066	185,952	1,886
0	0	0	0	0	0	299,542	296,001	(3,541)
2,161,962	2,161,962	0	1,284,072	1,275,713	(8,359)	27,903,829	27,935,682	31,853
0	0	0	103,152	103,152	0	11,644,242	11,644,242	0
0	0	0	0	0	0	1,913,028	1,913,028	0
0	0	0	0	0	0	227,045	227,045	0
0	0	0	0	0	0	45,576	45,576	0
0	0	0	0	0	0	1,015,658	1,015,658	0
0	0	0	0	0	0	964,377	964,377	0
0	0	0	0	0	0	56,233	56,233	0
3,598	3,598	0	491	491	0	2,321,375	2,321,375	0
26,544	26,544	0	3,721	3,721	0	506,521	506,521	0
0	0	0	0	0	0	2,498,973	2,498,973	0
0	0	0	0	0	0	1,589,823	1,589,823	0
0	0	0	0	0	0	43,535	43,535	0
0	0	0	0	0	0	311,917	311,917	0
0	0	0	0	0	0	570,005	570,005	0
0	0	0	13,695,382	12,307,077	1,388,305	13,695,382	12,307,077	1,388,305
795,000	795,000	0	0	0	0	795,000	795,000	0
1,111,978	1,111,978	0	0	0	0	1,111,978	1,111,978	0
1,937,120	1,937,120	0	13,802,746	12,414,441	1,388,305	39,310,668	37,922,363	1,388,305
224,842	224,842	0	(12,518,674)	(11,138,728)	1,379,946	(11,406,839)	(9,986,681)	1,420,158
0	0	0	0	0	0	3,483	3,483	0
0	0	0	0	0	0	3,483	3,483	0
224,842	224,842	0	(12,518,674)	(11,138,728)	1,379,946	(11,403,356)	(9,983,198)	1,420,158
900,445	900,445	0	17,205,628	17,205,628	0	25,577,215	25,577,215	0
\$1,125,287	\$1,125,287	\$0	\$4,686,954	\$6,066,900	\$1,379,946	\$14,173,859	\$15,594,017	\$1,420,158

Southwest Local School District
 Combined Statement of Revenues, Expenses
 And Changes in Retained Earnings
 All Proprietary Fund Types
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues:			
Charges for Services	\$801,130	\$0	\$801,130
Tuition & Fees	95,384	0	95,384
Total Operating Revenues	896,514	0	896,514
Operating Expenses:			
Salaries	418,316	0	418,316
Fringe Benefits	151,811	0	151,811
Purchased Services	23,097	0	23,097
Materials & Supplies	798,989	0	798,989
Depreciation	19,111	0	19,111
Other Operating Expenses	4,841	0	4,841
Total Operating Expenses	1,416,165	0	1,416,165
Operating Income (Loss)	(519,651)	0	(519,651)
Non-Operating Revenues (Expenses):			
Investment Revenue	7,964	0	7,964
Miscellaneous Revenue	312,815	0	312,815
Donated Commodities	54,913	0	54,913
Operating Grants - State & Local	12,971	0	12,971
Operating Grants - Federal	209,244	0	209,244
Disposal of fixed assets	4,000	0	4,000
Total Non-Operating Revenues	601,907	0	601,907
Net Income	82,256	0	82,256
Retained Earnings Restated, Beginning of Year	416,925	2,312	419,237
Retained Earnings, End of Year	\$499,181	\$2,312	\$501,493

See accompanying notes

Southwest Local School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum only)
	Enterprise	Internal Service	
Cash Flows from Operating Activities:			
Cash Received from Tuition & Fees	\$94,385	\$0	\$94,385
Cash Received from Charges for Services	802,157	0	802,157
Cash Payments for Personal Services	(569,198)	0	(569,198)
Cash Payments for Contract Services	(23,097)	0	(23,097)
Cash Payments for Supplies & Materials	(747,153)	0	(747,153)
Cash Payments for Other Expenses	(4,841)	0	(4,841)
Net Cash Provided (Used) by Operating Activities	(447,747)	0	(447,747)
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Operating Grants	223,958	0	223,958
Cash Received from Investment Earnings	7,964	0	7,964
Other	316,815	0	316,815
Net Cash Provided (Used) by Non-Capital Financing Activities	548,737	0	548,737
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(106,735)	0	(106,735)
Net Cash Used for Capital and Related Financing Activities	(106,735)	0	(106,735)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,745)	0	(5,745)
Cash and Cash Equivalents at Beginning of Year	261,962	2,312	264,274
Cash and Cash Equivalents at End of Year	\$256,217	\$2,312	\$258,529
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$519,651)	\$0	(\$519,651)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	19,111	0	19,111
Donated Commodities Used	54,913	0	54,913
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	28	0	28
(Increase) Decrease in Materials & Supplies Inventory	(1,011)	0	(1,011)
Increase (Decrease) in Accounts Payable	(2,822)	0	(2,822)
Increase (Decrease) in Accrued Wages & Benefits	929	0	929
Increase (Decrease) in Deferred Revenue	756	0	756
Net Cash Provided (Used) by Operating Activities	(\$447,747)	\$0	(\$447,747)

See accompanying notes.

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SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE A--DESCRIPTION OF THE DISTRICT

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

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

The District enrollment for October 2000 was 4,037. The District cost per pupil for fiscal year 2001 was \$6,436. It currently operates six elementary schools, one junior school (grades 7-8), and one comprehensive high school (grades 9-12).

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

THE REPORTING ENTITY

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

1. The District appointed a voting majority of the organization's governing body AND (a) was able to impose its will on that organization OR (b) there was a potential for the organization to provide specific financial burdens on the District; OR
2. The organization was fiscally dependent upon the District; OR
3. The nature of the relationship between the district and the organization was such that the exclusion from the financial reporting entity would render the financial statements of the District misleading. The District included no component units in the financial statements.

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

SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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

BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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

Enterprise Funds

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

Internal Service Funds

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

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

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

General Fixed Assets Account Group

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

General Long Term Obligations Account Group

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

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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

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

Basis of Accounting: The modified accrual basis of accounting is followed for Governmental, Agency, and Expendable Trust Funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance liabilities of the current period. The District considers new revenue available if they are collected within 60 days after fiscal year end. Revenue accrued at the end of the fiscal year using the 60 day availability criteria included delinquent property taxes, interest, tuition, and state and federal grants. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

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

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

BUDGETARY DATA

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

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

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

SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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

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

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

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

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

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

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

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

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

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

SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001.

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

ENCUMBRANCES

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

CASH AND INVESTMENTS

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

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

Investment earnings are allocated to these funds based on average monthly cash balances. Investment income earned in fiscal 2001 totaled \$1,589,367.

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

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

RESTRICTED POOLED CASH AND INVESTMENTS

Senate Bill 345 eliminated the Budget Stabilization Reserve. The current year set-aside requirement for the Reserve is from a Bureau of Worker's Compensation refund received prior to April 10, 2001.

INVENTORY (MATERIALS AND SUPPLIES)

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

FIXED ASSETS AND DEPRECIATION

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

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

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

INTERFUND TRANSACTIONS

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

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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

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

COMPENSATED ABSENCES

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

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

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

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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

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

LONG-TERM OBLIGATIONS

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

FUND EQUITY

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property tax advances, and state mandated set-asides. The reserve represents property taxes available for advance and not received as they are intended to finance activities of FY 2002. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purpose of those funds.

MEMORANDUM ONLY-TOTAL COLUMNS

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

AUTHORITATIVE SOURCES

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

SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE C--EQUITY IN POOLED CASH & INVESTMENTS

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

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

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

Interim Monies - Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

At year end the carrying amount of the District's deposits was \$730,500. The bank balance of deposits was \$1,530,751. Of the bank balance \$230,651 was covered by federal depository insurance and the remaining balance was covered by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

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

Based on the above criteria, the District's investments at June 30, 2001 are classified as follows:

	Category 1	Category 2	Category 3	Carrying Amount/ Fair Value
State Treasury Pool*	\$	\$	\$	\$ 15,406,241
Government Securities		1,500,000		1,500,000
Repurchase Agreements			4,010,135	4,010,135
TOTAL	\$ -0-	\$1,500,000	\$4,010,135	\$20,916,376

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

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

SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE D--PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed values, by property classification, upon which taxes collected in 2001 were based are as follows:

Real estate	\$314,292,910
Tangible personal	<u>83,346,085</u>
Total assessed property value	<u>\$397,638,995</u>

For 2001 collections, real property taxes were levied in April 2000 the assessed values as of January 1, 1999, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January, 2000. Tangible personal property is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 2001, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2001, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2001. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$2,308,648; \$1,823,630 for General Fund, \$55,792 for Capital Projects and \$429,226 for Debt Service, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2001 operations.

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE E--FIXED ASSETS

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

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Deletions</u>	Balance End of <u>Year</u>
Land/Improvements	\$ 470,284	\$ 0	\$ 0	\$ 470,284
Building and Building Improvements	20,485,872	619,198	0	21,105,070
Furniture/Equipment	4,306,315	278,030	0	4,584,345
Vehicles	1,455,414	123,320	56,894	1,521,840
Construction in Progress	<u>2,460,988</u>	<u>6,236,295</u>	<u>715,262</u>	<u>7,982,021</u>
Total	<u>\$29,178,873</u>	<u>\$7,256,843</u>	<u>\$ 772,156</u>	<u>\$35,663,560</u>

A summary of the Proprietary Fund fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$ 535,940
Less Accumulated Depreciation	<u>(245,382)</u>
Net Fixed Assets - Proprietary Fund	<u>\$ 290,558</u>

NOTE F--LONG-TERM OBLIGATIONS

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE F--LONG-TERM OBLIGATIONS (Continued)

The following is a description of the District's bonds and notes outstanding as of June 30, 2001:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance Beginning of Year	Additions	Retired 2001	Balance End of Year
School Facilities Bonds	5.0715%	03-01-94	12-01-10	\$3,714,992	\$ 0	\$450,000	\$3,264,992
School Improvement Bonds	4.9598%	04-01-99	12-01-27	\$9,820,000	\$ 0	\$185,000	\$9,635,000
School Improvement Bonds	5.0500%	05-01-99	12-01-27	\$9,825,000	\$ 0	\$ 160,000	\$ 9,665,000
TOTAL				\$23,359,992	\$ 0	\$795,000	\$22,564,992

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

<u>Year Ending June 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2002	\$ 840,000	\$1,079,700
2003	875,000	1,044,589
2004	920,000	1,006,900
2005	458,351	1,465,764
2006	476,125	1,450,789
Thereafter	<u>18,995,516</u>	<u>12,537,748</u>
Total	<u>\$22,564,922</u>	<u>\$18,585,490</u>

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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

During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Compensated <u>Absences:</u> Sick Leave and Vacation Leave	\$ 1,319,082	\$ 52,409	\$ 0	\$ 1,371,491
Accrued Wages and Benefits	118,874	14,984	0	133,858
General Obligation Debt:				
Bonds	<u>23,359,992</u>	<u>0</u>	<u>795,000</u>	<u>22,564,992</u>
Total	<u>\$24,797,948</u>	<u>\$ 67,393</u>	<u>\$795,000</u>	<u>\$24,070,341</u>

NOTE H--LEGAL DEBT MARGIN

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

The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$35,787,510 and an unvoted debt margin of \$397,639.

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE I--SEGMENT INFORMATION

Enterprise Funds - The District maintains two Enterprise Funds to account for the operations of Food Service and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total
Operating Revenues	\$ 801,505	\$95,009	\$ 896,514
Operating Expenses Before Depreciation	1,305,981	91,073	1,397,054
Depreciation	19,111	0	19,111
Operating Income (Loss)	(523,587)	3,936	(519,651)
Operating Grants	222,215	0	222,215
Donated Commodities	54,913	0	54,913
Disposal of Fixed Assets	4,000	0	4,000
Net Income (Loss)	81,913	3,936	85,849
Net Working Capital	\$ 132,319	\$76,304	\$ 208,623
Total Assets	\$ 520,835	\$76,324	\$ 597,159
Total Liabilities	94,365	20	94,385
Total Equity	\$ 426,470	\$76,304	\$ 502,774

NOTE J--DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Southwest Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal year ended June 30, 2001, 2000 and 1999 were \$436,092, \$388,998 and \$369,468, respectively, 47% has been contributed for fiscal year 2001 and 100% for fiscal year 2000 and 1999. \$230,004 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE J--DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal year ended June 30, 2001, 2000 and 1999 were \$1,655,508, \$1,551,096 and \$1,447,692, respectively; 83% has been contributed for fiscal 2001 and 100% for fiscal year 2000 and 1999. \$282,460 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE K--POST-EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The Health Care Reserve Allocation for the year ended June 30, 2001 will be 8% of covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE K--POST-EMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE L--BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis	\$908,154	\$(136,752)	\$ 144,738	\$ (5,614,394)
Net Adjustment for Revenue Accruals	408,131	23,196	80,104	6,007
Net Adjustment Expenditure Accruals	(51,374)	(21,976)	0	1
Net Adjustment for Encumbrances	(112,368)	(86,323)	0	(5,530,342)
Budgetary Basis	\$1,152,543	\$(221,855)	\$ 224,842	\$(11,138,728)

NOTE M--COMPLIANCE AND ACCOUNTABILITY

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

The District had not certified the availability of funds for certain obligations at 6/30/01.

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE M--COMPLIANCE AND ACCOUNTABILITY (Continued)

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

LITIGATION

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

NOTE N--JOINTLY GOVERNED ORGANIZATIONS

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

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

NOTE O--RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for fleet and liability insurance and Inland Marine coverage and with Traveler's Insurance for property insurance.

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

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

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE P--UNCERTAINTIES

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 2, 1001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 31, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE Q--STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity (cash-basis) was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 336,519	\$ 336,519
Current Year Set-aside Requirement	550,332	550,332	0	1,100,664
Current Year Offsets	0	(296,072)	0	(296,072)
Reduction Authorized by Legislative Restrictions	0	0	(158,958)	(158,958)
Qualifying Disbursements	(582,864)	(632,103)	0	(1,214,967)
Total	\$ (32,532)	\$ (377,843)	\$ 177,561	
Cash Balance Carried Forward to FY 2001	\$ 0	\$ 0	\$ 177,561	
Cumulative Surplus Spending Credit Carried Forward to FY 2002	\$ (113,432)	\$ 0	\$ 0	

Offsets/expenditures for textbook activity during the year totaled \$582,864, which exceeded the required set-aside and the reserve balance. The \$113,432 surplus resulting from a prior year surplus of \$80,900 and a current year surplus of \$35,532 may be carried forward to reduce the amount of the required set-aside in succeeding fiscal years.

Offsets/expenditures for capital activity during the year totaled \$928,175, which exceeded the required set-aside and the reserve balance. Although the School District had offsets and qualifying disbursements during the year that reduced the Capital Acquisition set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE R--CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." At June 30, 2001, there was no effect on fund balance as a result of implementing GASB 33.

**SOUTHWEST LOCAL SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

NOTE S--PRIOR PERIOD ADJUSTMENT

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

	<u>Enterprise Fund</u>
Balance Previously stated June 30, 2000	\$402,618
Prior Period Adjustment	<u>\$ 14,307</u>
As Restated, July 1, 2000	<u><u>\$416,925</u></u>

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$64,092	\$0	\$64,092
			0	64,092	0	64,092
National School Breakfast Program	05-PU-00	10.553	15,219	0	15,219	0
	05-PU-01	10.553	39,885	0	39,885	0
			55,103	0	55,103	0
National School Lunch Program	LL-P1-00	10.555	31,884		31,884	
	LL-P4-00	10.555	14,377	0	14,377	0
	LL-P1-01	10.555	89,996	0	89,996	0
	LL-P4-01	10.555	36,658	0	36,658	0
			172,915	0	172,915	0
Total U.S. Department of Agriculture - Nutrition Cluster			228,018	64,092	228,018	64,092
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-99	84.027	3,950	0	4,514	0
	6B-ST-00	84.027	256,581	0	252,726	0
			260,531	0	257,240	0
Total Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00	84.010	13,440	0	38,206	0
	C1-S1-01	84.010	269,679	0	249,969	0
			283,119	0	288,175	0
Drug-Free Schools Grant	DR-S1-01	84.186	19,253	0	18,360	0
Goals 2000	G2-A2-00	84.276	(5,706)	0	0	0
Eisenhower Professional Development Grant	MS-S1-01	84.281	13,967	0	350	0
Chapter 2	C2-S1-01	84.298	22,977	0	20,718	0
Tech Literacy Challenge Fund	TF-VM-99	84.318	4,658		4,853	
Class Size Reduction Grant	CR-S1-01	84.340	63,590	0	56,636	0
Total U. S. Department of Education			662,389	0	646,333	0
Totals			<u>\$890,408</u>	<u>\$64,092</u>	<u>\$874,350</u>	<u>\$64,092</u>

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

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTES A- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at fair market value of commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had food commodities in inventory.



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

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

To the Board of Education:

We have audited the financial statements of Southwest Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2001 and have issued our report thereon dated December 31, 2001. We conducted our audit in accordance with auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10431-001. We also noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 31, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 31, 2001.

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

This report is intended for the information and use of the audit committee, management, 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.

Jim Petro
Auditor of State

December 31, 2001



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

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

To the Board of Education:

Compliance

We have audited the compliance of Southwest Local School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the audit committee, management, 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.

Jim Petro
Auditor of State

December 31, 2001

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	National School Breakfast & Lunch - CFDA # 10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-10431-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Contrary to the above requirements, the District failed to obtain the certification of the availability of funds from the Treasurer prior to the invoice date for 17% of expenditures tested, and neither of the two exceptions provided above were utilized.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**SOUTHWEST LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2000-10431-001	The District did not comply with Ohio Rev. Code, Section 135.142, which requires the Board of Education to approve by two-thirds vote investment in Commercial paper notes	Yes	
2000-10431-002	The District's detailed outstanding encumbrances listing included purchased orders dating back to July 1, 1998.	Yes	



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SOUTHWEST LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2002**