



**OAK HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Oak Hills Local School District
Hamilton County
6479 Bridgetown Road
Cincinnati, Ohio 45248

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Oak Hills Local School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As more fully explained in Note U to the general-purpose financial statements, the District changed its method of accounting in the capitalization threshold for fixed assets.

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

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Jim Petro
Auditor of State

February 15, 2000

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$13,951,193	\$864,761	\$731	\$21,327,446
Restricted Cash	563,393	0	0	0
Receivables:				
Taxes	22,212,528	0	2,922,760	0
Intergovernmental	12,893	9,539	0	0
Accounts	88,556	577	0	0
Accrued Interest	0	0	0	0
Interfund Receivable	59,000	0	0	1,227,000
Inventory	51,241	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	\$36,938,804	\$874,877	\$2,923,491	\$22,554,446
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$421,744	\$22,232	\$0	\$3,765,494
Accrued Wages & Benefits	3,731,881	82,921	0	0
Compensated Absences Payable	70,510	492	0	0
Interfund Payable	0	9,000	1,227,000	0
Deferred Revenue	14,257,528	0	1,895,760	0
Due to Students	0	0	0	0
Arbitrage Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Notes Payable	0	0	0	0
Total Liabilities	18,481,663	114,645	3,122,760	3,765,494
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	780,864	296,403	0	10,962,021
Reserved for Property Tax Advances	7,955,000	0	1,027,000	0
Reserved for Inventory	51,241	0	0	0
Reserved For Set-Asides	563,393	0	0	0
Unreserved & Undesignated	9,106,643	463,829	(1,226,269)	7,826,931
Total Fund Equity (Deficit) & Other Credits	18,457,141	760,232	(199,269)	18,788,952
Total Liabilities, Fund Equity & Other Credits	\$36,938,804	\$874,877	\$2,923,491	\$22,554,446

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$252,721	\$1,166,448	\$0	\$0	\$37,563,300
0	0	0	0	563,393
0	0	0	0	25,135,288
0	0	0	0	22,432
7,419	251	0	0	96,803
0	67	0	0	67
0	0	0	0	1,286,000
21,219	0	0	0	72,460
151,601	0	54,609,593	0	54,761,194
0	0	0	(199,269)	(199,269)
0	0	0	54,724,321	54,724,321
<u>\$432,960</u>	<u>\$1,166,766</u>	<u>\$54,609,593</u>	<u>\$54,525,052</u>	<u>\$174,025,989</u>
\$8,977	\$0	\$0	\$0	\$4,218,447
4,947	0	0	227,120	4,046,869
26,261	0	0	3,022,227	3,119,490
50,000	0	0	0	1,286,000
16,092	0	0	0	16,169,380
0	64,635	0	0	64,635
0	0	0	131,595	131,595
0	0	0	50,577,000	50,577,000
0	0	0	567,110	567,110
<u>106,277</u>	<u>64,635</u>	<u>0</u>	<u>54,525,052</u>	<u>80,180,526</u>
0	0	54,609,593	0	54,609,593
326,683	0	0	0	326,683
0	0	0	0	12,039,288
0	0	0	0	8,982,000
0	0	0	0	51,241
0	0	0	0	563,393
0	1,102,131	0	0	17,273,265
<u>326,683</u>	<u>1,102,131</u>	<u>54,609,593</u>	<u>0</u>	<u>93,845,463</u>
<u>\$432,960</u>	<u>\$1,166,766</u>	<u>\$54,609,593</u>	<u>\$54,525,052</u>	<u>\$174,025,989</u>

Oak Hills Local School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$24,999,228	\$0	\$3,195,742	\$0	\$0	\$28,194,970
Intergovernmental	16,881,105	2,699,488	192,047	743,333	0	20,515,973
Investment	2,031,500	9,970	278	591,991	6,721	2,640,460
Tuition & Fees	498,546	0	0	0	0	498,546
Extracurricular Activities	164,835	486,993	0	0	10,078	661,906
Miscellaneous	2,273,596	211,279	0	1,398,531	117,893	4,001,299
Total Revenues	46,848,810	3,407,730	3,388,067	2,733,855	134,692	56,513,154
Expenditures:						
Current:						
Instruction:						
Regular	21,230,028	80,426	0	622,413	0	21,932,867
Special	4,094,261	300,255	0	0	0	4,394,516
Vocational	290,389	0	0	0	0	290,389
Other	33,674	0	0	0	0	33,674
Support Services:						
Pupils	1,692,918	370,096	0	0	188	2,063,202
Instructional Staff	1,504,538	176,104	0	0	0	1,680,642
Board of Education	119,710	0	0	0	0	119,710
Administration	3,126,529	135,630	0	1,780	0	3,263,939
Fiscal	728,732	0	37,897	0	0	766,629
Business	328,165	0	0	0	0	328,165
Operation & Maintenance of Plant	3,701,894	3,253	0	0	0	3,705,147
Pupil Transportation	1,140,712	0	0	0	0	1,140,712
Central	177,374	0	0	0	26,016	203,390
Operation of Non-Instructional Services	13,599	1,644,485	0	0	58,123	1,716,207
Extracurricular Activities	393,553	415,493	0	0	9,275	818,321
Capital Outlay	116,492	0	0	29,879,806	0	29,996,298
Debt Service:						
Principal Retirement	0	0	209,394	0	0	209,394
Interest & Fiscal Charges	0	0	2,787,007	0	0	2,787,007
Total Expenditures	38,692,568	3,125,742	3,034,298	30,503,999	93,602	75,450,209
Excess of Revenues Over (Under) Expenditures	8,156,242	281,988	353,769	(27,770,144)	41,090	(18,937,055)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	19,206	2,179	0	220	0	21,605
Operating Transfers In	0	0	136,743	50,100	0	186,843
Operating Transfers Out	(136,743)	0	0	0	(50,100)	(186,843)
Total Other Financing Sources (Uses)	(117,537)	2,179	136,743	50,320	(50,100)	21,605
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	8,038,705	284,167	490,512	(27,719,824)	(9,010)	(18,915,450)
Fund Balance, Beginning of Year	10,435,521	476,065	(689,781)	46,508,776	182,494	56,913,075
Increase (Decrease) in Reserve for Inventory	(17,085)	0	0	0	0	(17,085)
Fund Balance, End of Year	\$18,457,141	\$760,232	(\$199,269)	\$18,788,952	\$173,484	\$37,980,540

See accompanying notes.

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Oak Hills Local School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 1999

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$22,504,228	\$22,504,228	\$0	\$0	\$0	\$0
Intergovernmental	16,958,556	16,882,367	(76,189)	2,756,301	2,722,469	(33,832)
Investment	2,049,800	2,049,800	0	9,970	9,970	0
Tuition & Fees	491,719	491,719	0	0	0	0
Extracurricular Activities	164,835	164,835	0	487,870	487,870	0
Miscellaneous	2,185,038	2,185,038	0	210,083	210,083	0
Total Revenues	44,354,176	44,277,987	(76,189)	3,464,224	3,430,392	(33,832)
Expenditures:						
Current:						
Instruction:						
Regular	21,532,311	21,532,311	0	197,394	197,394	0
Special	4,034,892	4,034,892	0	299,009	299,009	0
Vocational	288,209	288,209	0	0	0	0
Other	34,397	34,397	0	0	0	0
Support Services:						
Pupils	1,636,343	1,636,343	0	401,008	401,008	0
Instructional Staff	1,564,966	1,564,966	0	182,486	182,486	0
Board of Education	119,943	119,943	0	0	0	0
Administration	3,125,853	3,125,853	0	148,251	148,251	0
Fiscal	728,666	728,666	0	0	0	0
Business	378,250	378,250	0	0	0	0
Operation & Maintenance of Plant	3,899,600	3,899,600	0	3,253	3,253	0
Pupil Transportation	1,406,408	1,406,408	0	0	0	0
Central	183,318	183,318	0	0	0	0
Operation of Non-Instructional Services	18,593	18,593	0	1,728,584	1,728,584	0
Extracurricular Activities	392,089	392,089	0	476,392	476,392	0
Capital Outlay	111,960	111,960	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	39,455,798	39,455,798	0	3,436,377	3,436,377	0
Excess (Deficiency) of Revenues Over Under Expenditures	4,898,378	4,822,189	(76,189)	27,847	(5,985)	(33,832)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	19,206	19,206	0	2,179	2,179	0
Refund of Prior Year Expenditures	16,618	16,618	0	660	660	0
Refund of Prior Year Receipts	0	0	0	(16)	(16)	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	(136,743)	(136,743)	0	0	0	0
Advances In	122,700	122,700	0	9,000	9,000	0
Advances Out	(59,000)	(59,000)	0	(62,000)	(62,000)	0
Total Other Financing Sources (Uses)	(37,219)	(37,219)	0	(50,177)	(50,177)	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	4,861,159	4,784,970	(76,189)	(22,330)	(56,162)	(33,832)
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	8,527,009	8,527,009	0	602,291	602,291	0
Fund Balance, End of Year	\$13,388,168	\$13,311,979	(\$76,189)	\$579,961	\$546,129	(\$33,832)

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)
\$2,914,742	\$2,914,742	\$0	\$0	\$0	\$0	\$25,418,970	\$25,418,970	\$0
192,047	192,047	0	743,333	743,333	0	20,650,237	20,540,216	(110,021)
278	278	0	591,991	591,991	0	2,652,039	2,652,039	0
0	0	0	0	0	0	491,719	491,719	0
0	0	0	0	0	0	652,705	652,705	0
0	0	0	1,398,531	1,398,531	0	3,793,652	3,793,652	0
3,107,067	3,107,067	0	2,733,855	2,733,855	0	53,659,322	53,549,301	(110,021)
0	0	0	710,589	710,589	0	22,440,294	22,440,294	0
0	0	0	0	0	0	4,333,901	4,333,901	0
0	0	0	0	0	0	288,209	288,209	0
0	0	0	0	0	0	34,397	34,397	0
0	0	0	0	0	0	2,037,351	2,037,351	0
0	0	0	0	0	0	1,747,452	1,747,452	0
0	0	0	0	0	0	119,943	119,943	0
0	0	0	1,780	1,780	0	3,275,884	3,275,884	0
37,897	37,897	0	0	0	0	766,563	766,563	0
0	0	0	0	0	0	378,250	378,250	0
0	0	0	0	0	0	3,902,853	3,902,853	0
0	0	0	0	0	0	1,406,408	1,406,408	0
0	0	0	0	0	0	183,318	183,318	0
0	0	0	0	0	0	1,747,177	1,747,177	0
0	0	0	0	0	0	868,481	868,481	0
0	0	0	42,877,267	42,877,267	0	42,989,227	42,989,227	0
209,394	209,394	0	0	0	0	209,394	209,394	0
2,787,007	2,787,007	0	0	0	0	2,787,007	2,787,007	0
3,034,298	3,034,298	0	43,589,636	43,589,636	0	89,516,109	89,516,109	0
72,769	72,769	0	(40,855,781)	(40,855,781)	0	(35,856,787)	(35,966,808)	(110,021)
0	0	0	220	220	0	21,605	21,605	0
0	0	0	0	0	0	17,278	17,278	0
0	0	0	0	0	0	(16)	(16)	0
136,743	136,743	0	50,100	50,100	0	186,843	186,843	0
0	0	0	0	0	0	(136,743)	(136,743)	0
1,227,000	1,227,000	0	1,436,000	1,436,000	0	2,794,700	2,794,700	0
(1,436,000)	(1,436,000)	0	(1,227,000)	(1,227,000)	0	(2,784,000)	(2,784,000)	0
(72,257)	(72,257)	0	259,320	259,320	0	99,667	99,667	0
512	512	0	(40,596,461)	(40,596,461)	0	(35,757,120)	(35,867,141)	(110,021)
220	220	0	47,196,390	47,196,390	0	56,325,910	56,325,910	0
\$732	\$732	\$0	\$6,599,929	\$6,599,929	\$0	\$20,568,790	\$20,458,769	(\$110,021)

Oak Hills Local School District
 Combined Statement of Revenues, Expenses
 And Changes in Retained Earnings/Fund Balance
 Proprietary Fund Type and Nonexpendable Trust Funds
 For the Year Ended June 30, 1999

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Investment Revenue	\$0	\$37,534	\$37,534
Charges for Services	\$1,645,121	0	\$1,645,121
Tuition & Fees	124,957	0	124,957
Miscellaneous Revenue	9,385	595,167	604,552
Total Operating Revenues	<u>1,779,463</u>	<u>632,701</u>	<u>2,412,164</u>
Operating Expenses:			
Salaries	622,564	0	622,564
Fringe Benefits	249,308	0	249,308
Purchased Services	38,103	0	38,103
Materials & Supplies	915,195	0	915,195
Depreciation	62,850	0	62,850
Other Operating Expenses	5,820	33,500	39,320
Total Operating Expenses	<u>1,893,840</u>	<u>33,500</u>	<u>1,927,340</u>
Operating Income (Loss)	<u>(114,377)</u>	<u>599,201</u>	<u>484,824</u>
Non-Operating Revenues (Expenses):			
Investment Revenue	13,867	0	13,867
Donated Commodities	19,510	0	19,510
Operating Grants - Federal	75,267	0	75,267
Total Non-Operating Revenues	<u>108,644</u>	<u>0</u>	<u>108,644</u>
Net Income	<u>(5,733)</u>	<u>599,201</u>	<u>593,468</u>
Retained Earnings/Fund Balance, Beginning of Year (restated, see accompanying note U)	<u>332,416</u>	<u>329,446</u>	<u>661,862</u>
Retained Earnings/Fund Balance, End of Year	<u>\$326,683</u>	<u>\$928,647</u>	<u>\$1,255,330</u>

See accompanying notes.

Oak Hills Local School District
 Combined Statement of Cash Flows
 Proprietary Fund Type and NonExpendable Trust Funds
 For the Year Ended June 30, 1999

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum only)
	Enterprise	Nonexpendable Trust	
Cash Flows from Operating Activities:			
Cash Received from Tuition & Fees	\$124,957	\$0	\$124,957
Cash Received from Investment Earnings	0	37,534	37,534
Cash Received from Charges for Services	1,645,121	0	1,645,121
Cash Received from Miscellaneous Sources	1,966	595,167	597,133
Cash Payments for Personal Services	(924,139)	0	(924,139)
Cash Payments for Contract Services	(38,015)	0	(38,015)
Cash Payments for Supplies & Materials	(886,276)	0	(886,276)
Cash Payments for Other Expenses	(5,820)	(33,500)	(39,320)
Net Cash Provided (Used) by Operating Activities	<u>(82,206)</u>	<u>599,201</u>	<u>516,995</u>
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Other Funds	50,000	0	50,000
Cash Received from Operating Grants	75,267	0	75,267
Cash Received from Investment Earnings	13,867	0	13,867
Other	(60,000)	0	(60,000)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>79,134</u>	<u>0</u>	<u>79,134</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,072)	599,201	596,129
Cash and Cash Equivalents at Beginning of Year	<u>255,793</u>	<u>329,446</u>	<u>585,239</u>
Cash and Cash Equivalents at End of Year	<u>\$252,721</u>	<u>\$928,647</u>	<u>\$1,181,368</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$114,377)	\$599,201	\$484,824
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	62,850	0	62,850
Donated Commodities Used	19,510	0	19,510
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	(7,419)	0	(7,419)
(Increase) Decrease in Materials & Supplies Inventory	(12,977)	0	(12,977)
Increase (Decrease) in Accounts Payable	6,289	0	6,289
Increase (Decrease) in Accrued Wages & Benefits	(51,219)	0	(51,219)
Increase (Decrease) in Compensated Absences Payable	(955)	0	(955)
Increase (Decrease) in Deferred Revenue	16,092	0	16,092
Net Cash Provided (Used) by Operating Activities	<u>(\$82,206)</u>	<u>\$599,201</u>	<u>\$516,995</u>
Reconciliation of Nonexpendable Trust Fund to Balance Sheet			
Cash and Investments - All Fiduciary Funds		\$1,166,448	
Cash and Investments - Expendable Trust and Agency Funds		<u>237,801</u>	
Cash and Investments - Nonexpendable Trust Funds		<u>\$928,647</u>	

See accompanying notes.

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

NOTE A - DESCRIPTION OF THE DISTRICT

The Oak Hills Local School District represents a consolidation of three elementary districts; Bridgetown, Delhi and Springmyer. This consolidation was effected by the Hamilton County Board of Education on April 23, 1956, in order to equalize educational opportunities throughout the area. 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 110.01 of the Ohio Revised Code.

The District operates under a locally elected five-member board form of government and provides educational services. The board controls the District's instructional program and support facilities staffed by 467 certificated teaching and administrative personnel and 278 non-certificated personnel. To provide services to our adult population, Oak Hills has developed one of the largest community education programs in Hamilton County, Ohio.

Oak Hills Local School District is the 4th largest "local" district and 26th largest of all 616 districts in Ohio in terms of student enrollment with 8,298 students for the 1997-98 school year. The district currently operated five (5) elementary schools (grades K-6), two (2) junior high schools (grades 7-9) and one (1) comprehensive high school (grades 10-12).

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 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 district's 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 benefits to, or impose specific financial burdens on, the District.
2. The organization was fiscally dependent upon the District.
3. The nature of the relationship between the district and the organization is such that exclusion from the financial reporting entity would render the financial statements misleading.

The district included no component units in the financial statements.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION - FUND ACCOUNTING

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

Governmental Fund Types

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 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 with 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 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 District's Proprietary Fund category is:

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

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.

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, Nonexpendable Trust and Agency funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds. Agency funds are custodial in nature (assets 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; 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 using a flow of "current financial resources" 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.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Types and Nonexpendable Trust Funds are accounted for on a cost of services, or "economic resources" measurement focus. Proprietary Fund Types and Nonexpendable Trust Funds income statements represent increases and decreases in net total assets.

Basis of Accounting: The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under this basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures for the current period which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included property taxes available for advance, interest, tuition, and state and federal grants. Accrued available for advance property taxes receivable represent delinquent taxes outstanding and measurable at June 30, 1999. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended 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.

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

BUDGETARY DATA

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

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

The actual results of operations compared to the final appropriation, which included amendments to the original appropriation for each fund type by expenditure function and revenue by source, are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 shown in the budget amounts to actual comparisons.

The District is required by state statute to adopt an annual appropriated budget for all fund types except Agency Funds. The specific timetable is as follows:

Prior to January 15 of the preceding fiscal year, 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. Public hearings are 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 projected 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 October 1, the 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 commissions and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

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

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either re-allocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during the current fiscal year and none were significant.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

The original appropriation measure was amended, during the 1999 fiscal year, as follows:

General Fund	\$	(1,538,897)
Special Revenue Funds		(662,542)
Debt Service Fund		1,428,897
Enterprise Fund		(186,268)
Expendable Trust Fund		(12,323)
Non-Expendable Trust Fund		(11,000)
Agency Fund		(47,077)
Capital Project Fund		(2,985,019)

ENCUMBRANCES

Encumbrances 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. Governmental Fund Type encumbrances outstanding at fiscal year end, appear as a reserve of the fund balance on a GAAP Basis for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

CASH AND INVESTMENTS

Cash received by the District is deposited in one of four bank accounts with individual fund balance integrity maintained throughout. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, employee benefits, certain trust funds individually authorized by Board resolution.

Investment earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 1999, in Governmental Funds totaled \$2,647,606.

For purposes of Statement of Cash Flows (GASB Statement No. 9), all highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 1999, investments were limited to STAROhio. The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at year end.

Restricted Assets

Restricted assets in the general fund represent cash and investments set aside to establish a budget stabilization reserve. This reserve is required by State statute. A fund balance reserve has also been established.

Inventory

Inventory is valued at cost using the first-in-first-out method for all funds. The proprietary fund inventories are recorded as expenses when used. Inventory in governmental funds consists of expendable supplies which are recorded as an expenditure when individual inventory items are purchased. The governmental fund inventories are offset by fund balance reserve which indicates they do not constitute "available expendable resources" and are not available for appropriations.

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 one year. 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 straight-line basis over the following estimated useful lives:

Asset	Life (years)
Furniture, Fixtures and Equipment	5 to 20

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTERGOVERNMENTAL REVENUES

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

Interfund Transactions

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

- (4) Routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.
- (5) Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
- (6) Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long-term advances as the current year end.

COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components is derived from negotiating agreements and state laws. In summary, the components of vesting are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certified</u>
How earned	Not Eligible each contract year	25 days at start of each service year depending on length of service	5-20 days for
Maximum	Not Applicable	Can be paid for 5 days at years end, 18 months	
Vested	Not Applicable	As earned	As earned
Termination	Not Applicable	Paid upon termination	Paid upon termination

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Sick Leave</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How earned month of em- ployment (15 days per year)	1-1/4 days per month of em- ployment (15 days per year)	1-1/4 days per month of em- ployment (15 days per year)	1-1/4 days per
Maximum 252 days Accumulation	300 days	247 days	
Vested	As earned	As earned	As earned
Termination Entitlement	Per contract	Per contract	Per contract

Compensated absences are accrued as they are earned by employees if both of 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.

Compensated absences that are not expected to be liquidated with expendable available financial resources are reported in the General Long Term Obligations Account Group (GLTOAG). Compensated absences of Proprietary Funds are recorded as an expense and liability of the respective proprietary fund. The district records 20 percent of unused and accumulated vacation leave, has a current liability of the corresponding governmental fund and the remaining 80 percent in the GLTOAG.

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. The district has chosen to record the arbitrage rebate liability in the General Long Term Obligations Account Group.

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, inventory, endowments and state mandated set-asides. 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 portions of fund equity reflected for the governmental funds are available for use within the specific purpose of those funds.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND ACCOUNTING

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Account", 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.

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 does not present financial position, results of operations, or changes in principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE C - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund'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, 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:

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligations guaranteed as to principal and interest by the United States;
- b. 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 grant securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

- c. 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 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);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
- 8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

At the end of the year, the carrying amount of the District's deposits was \$2,442,550. The bank balance of deposits was \$3,177,093. Of the bank balance, \$400,000 was covered by Federal depository insurance, the remaining balance was covered by collateral held by third party trustees pursuant to Section 135.282, 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's end. CATEGORY 1 includes investments that are issued or registered 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 its department or agent, but not in the District's name.

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

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

<u>RISK</u>	<u>CARRYING VALUE/ FAIR VALUE</u>	<u>INVESTMENTS</u>
Star Ohio	(a)	\$35,684,143
TOTAL		\$35,684,143

(a) 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 Rev. Code, Chapter 134, Uniform Depository Act, authorized pledging of pooled securities in lieu of pledging specific securities. Specifically, a designate public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

NOTE D - INTERFUND RECEIVABLES/PAYABLE

Interfund balances at June 30, 1999 consisted of the following individual fund receivables and payables:

<u>Short Term Interfund Loans</u>		
<u>FUND</u>	<u>INTERFUND LOAN RECEIVABLE</u>	<u>INTERFUND LOAN PAYABLE</u>
General Fund	\$ 59,000	
Special Revenue		
Career Development	4,000	
Carl Perkins		\$ 5,000
Debt Service		1,227,000
Capital Projects	1,227,000	
Enterprise		
Adult Education	<u>0</u>	<u>50,000</u>
TOTAL ALL FUNDS	<u>\$1,286,000</u>	<u>\$1,286,000</u>

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

NOTE E - PROPERTY TAXES

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1999 were based are as follows:

Tangible Personal	\$ 77,141,490
Public utility & real estate	808,149,850

Total assessed property value	\$ 885,291,340

In 1999, real property taxes were levied in April on the assessed values as of January 1, 1997, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

The most recent revaluation was completed in January, 1999. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 1999, each business was eligible to receive \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 1999, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 of 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. Amounts available for advance at June 30th are recorded as tax revenue for the current fiscal year.

NOTE F - FIXED ASSETS

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

<u>Asset</u>	<u>Balance</u> <u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>End of Year</u>
Land/improvement	\$ 816,461	-0-	-0-	\$ 816,461
Building and Bldg. Improvement	12,727,674	-0-	-0-	12,727,674
Construction in Progress	4,629,510	29,206,167	-0-	33,835,677
Furniture/Equipment	<u>6,590,494</u>	<u>639,287</u>	-0-	<u>7,229,781</u>
Total	<u>\$24,764,139</u>	<u>\$29,845,454</u>	<u>-0-</u>	<u>\$54,609,593</u>

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

Furniture and Equipment	\$470,471
Less Accumulated Depreciation	<u>318,870</u>
Net Fixed Assets - Proprietary Fund	\$151,601

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

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

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long Term Obligations Account Group. Compensated absences will be paid from the fund which the employee is paid.

<u>Description</u>	<u>Balance</u> <u>Beginning</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>End of Year</u>
Energy Conservation Note	\$ 676,504	\$ -0-	\$ 109,394	\$ 567,110
Accrued Wages & Benefits	128,431	98,689	-0-	227,120
Compensated Absences	\$2,579,555	44,134	-0-	2,623,689
Bonds Payable	50,677,000	-0-	100,000	50,577,000
Arbitrage Payable	<u>\$67,706</u>	<u>\$63,889</u>	<u>-0-</u>	\$ <u>131,595</u>
Total	\$ <u>54,129,196</u>	\$ <u>206,712</u>	\$ <u>209,394</u>	\$ <u>54,126,514</u>

Debt service requirements to maturity are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2000	366,271	2,774,814
2001	469,366	2,757,003
2002	759,688	2,715,801
2003	885,247	2,699,991
2004	958,626	2,657,772
Thereafter	<u>48,437,454</u>	<u>35,953,845</u>
Total	\$51,144,110	\$49,559,226

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

NOTE H - LEGAL DEBT MARGIN

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

The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$79,676,221 and an unvoted margin of \$885,291.

NOTE I - SEGMENT INFORMATION

Enterprise Funds

The District maintains three Enterprise Funds to account for the operations of Food Service, Uniform School Sales and an Adult Education program. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education Program</u>	<u>Total</u>
Operating Revenues	\$1,642,657	\$6,266	\$ 130,540	\$1,779,463
Operating Expenses before Depreciation	1,741,871	3,665	105,344	1,850,880
Depreciation	62,850	-0-	-0-	62,850
Operating Income (Loss)	(162,064)	2,601	25,196	(134,267)
Operating Grants & other non-operating revenue (expenses)	97,432	-0-	(8,298)	89,134
Net Income (Loss) before operating transfers	(64,632)	2,601	16,898	(45,133)
Operating transfers in	-0-	-0-	-0-	-0-
Net Income (Loss)	(64,632)	2,601	16,898	(45,133)
Net Working Capital	105,401	1,516	28,765	135,682
Total Assets	281,616	1,516	136,621	419,753

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

NOTE I - SEGMENT INFORMATION (Continued)

Total Liabilities	130,747	-0-	1,723	132,470
Total Equity	150,869	1,516	134,898	287,283

NOTE J - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan member 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 may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal year ended June 30, 1999, 1998 and 1997 were \$755,178 (1999), \$731,208 (1998), and \$698,802 (1997), respectively; 50.0 percent has been for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$387,912 representing the unpaid contribution for fiscal year 1999 is recorded as an accrued wages and benefits liability in the respective funds and the GLTOAG.

B. State Teachers Retirement System

The School District participates in 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 basis 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 percent of their annual covered salary and the School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal year ended June 30, 1999, 1998 and 1997 were, \$3,088,428 (1999), \$2,977,152 (1998) and \$2,827,020 (1997), respectively; 83.3 percent has been contributed for fiscal year 1999 and 100 percent for fiscal year 1998 and 1997. \$ 497,184 representing the unpaid contribution for fiscal year 1999 is recorded as an accrued wages and benefits liability within the respective funds.

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

NOTE J - DEFINED BENEFIT PENSION PLANS (Continued)

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-certified employees and their dependents through the School Employees Retirement System (SERS).

Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contributions equal to 2 percent of covered payroll. Through June 30, 1997, the board allocated employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the School District, this amount equaled \$772,107 during 1999. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8% of covered payroll.

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

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

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

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the school district, the amount to fund health care benefits, including surcharge, equaled \$ 268,627 during the 1999 fiscal year.

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

NOTE K - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance/retained earnings 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

<u>Governmental</u> <u>Fund</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>
GAAP Basis	\$7,756,665	\$282,199	\$490,512	\$ (27,719,824)
Net Adjustments for Revenue Accruals	2,431,505	32,322	946,000	1,436,000
Net Adjustment for Expenditure Accruals	662,418	(52,048)	(1,436,000)	414,878
Encumbrance	(1,202,608)	(318,635)	-0-	(14,727,515)
Budgetary Basis	<u>\$4,784,970</u>	<u>(\$56,162)</u>	<u>\$ 512</u>	<u>(\$40,596,461)</u>

NOTE L - 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 appropriation at the legal level of control.

NOTE M - 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 agreement and are 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 on June 30, 1999.

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

NOTE M - CONTINGENT LIABILITIES (Continued)

Litigation

The District's attorney estimates that the 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 N - JOINTLY GOVERNED ORGANIZATIONS

The Great Oaks Joint Vocational School, a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a board consisting of one representative from each participating school district's elected board. That board possesses its own budgeting and taxing authority. The Vocational School provides academic preparation and job training which lead to employment and/or further education upon graduation from high school. The District has no ongoing financial interest in or responsibility for the Vocational School.

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium A-site used by the District. HCAA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of HCCA consists of one representative from each of the participating members. The degree of control exercised by any participating district is limited to its representative on the board.

NOTE O - RISK MANAGEMENT

The Oak Hills Local School District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Oak Hills Local School District carries insurance coverage with the following companies.

<u>COVERAGE</u>	<u>COMPANY</u>
Automobile	Indiana Insurance Company
Property	Nationwide Insurance Company
General Liability	Indiana Insurance Company

Limits and deductible amounts for the above policies vary accordingly.

<u>COVERAGE</u>	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
Automobile	\$1,000,000 each occurrence	\$100 collision
Property	\$57,617,900 blanket coverage	\$1000 each loss
General Liability	\$5,000,000 general aggregate	

The Oak Hills Local School District pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

NOTE P – UNCERTAINTIES/STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio School Funding Plan unconstitutional. The court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$13,725,894 of school foundation support for its general fund.

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

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

NOTE Q – FUND DEFICITS

The following fund has a deficit balance as of June 30, 1999:

Debt Service Fund	(\$199,269)
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The deficit in the Debt Service fund resulted from the recognition of current liability.

NOTE R – CONSTRUCTION COMMITMENTS

As of June 30, 1999, the District had the following commitments with respect to capital projects:

<u>Vendor</u>	<u>Remaining Construction Commitment</u>
Angerts Appliances	\$ 13,225
Apple Computer	3,414
Archiabele Electric	440,997
Audio Visual Systems	2,660
Baker Concrete	94,929
Batts Construction	370,228
Bucher Excavating	247,226
Carrington Plumbing	21,605
Central Insulation Systems	40,000
Cincinnati Bell Telephone	16,839
Cincinnati Blue Print	6,000
Circuit City	545
Cole & Russell Architects	114,473

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

NOTE R – CONSTRUCTION COMMITMENTS (Continued)

Comp USA	18,380
Contract Interiors	494,890
Dalmation Fire, Inc.	103,700
Danis Building Construction	2,892,761
Delta Innovation LTD	109,726
Dollamur	5,100
Enterprise Wise	3,210
Geiger Construction	443,858
Geiler Co.	335,591
John R. Green	167,209
H Superstore	396
Hearlihy & Co.	5,785
HGC, Inc.	721,399
Holland Roofing	125,605
Interstate Welding & Fabrication	61,961
Wm. Kramer & Son	191,530
Library Design	2,630
Mac Warehouse	700
G. E. Maier Co.	109,409
MAS, Inc.	529
Metro Electric	210,525
Miter Masonry	200,251
Murphy Supply	17,594
NASCO	354
National Audio Visual	6,098
Nelson Stark Company	308,611
H. C. Nutting Company	12,173
Office Furniture Store	2,075
Ohio Blue Print	29,426
Pomeroy Computer	7,114
Preferred Fire Protection	126,250
R.P.C. Mechanical	1,194,500
Gil Ruehl Mechanical	344,721
School Health Corp.	2,164
Superior Janitor Supply	367
Synergistic Systems	8,375
Tangent Computer	106,049
Teepe's River City Mechanical	815,494
Tepe Environmental Service	13,914
G.J. Thielen Associates	22,286
Tri-State Audio Visual	342
Turner Construction	386,040
United Fabricating & Erection	72,563
Universal Contracting	4,419,950
Vertical Systems Elevator	11,144
T. S. Williams Electric	190,200
Willis Music Co.	16,014
TOTAL	\$ 15,691,607

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

NOTE S – ARBITRAGE REBATE LIABILITY

The Oak Hills Local School District in accordance with the Internal Revenue Code, has incurred a liability of \$131,595 as of June 30, 1999. In July of 1997, the district issued \$45,677,000 of Bond Anticipation Notes at a yield of 4.3% for the purpose of constructing additions to the high school, renovating existing buildings, and acquiring technology for classroom instruction. The district invested the proceeds of the notes at an average yield of 4.62% through the end of 1999. Bond Counsel for the district has confirmed the liability.

NOTE T – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Maintenance <u>Reserve</u>	Budget Stabilization <u>Reserve</u>
Balance, Beginning of Year	0	0	237,657
Required Set-Aside	651,473	651,473	325,736
Offset Credits	(120,715)	0	0
Qualifying Expenditures	(530,758)	(651,473)	0
	-----	-----	-----
Balance, End of Year	0	0	563,393

Expenditures for textbook activity during the year totaled \$573,381, which exceeded the amount required for the set-aside.

Expenditures for capital activity during the year totaled \$825,714, which exceeded the amount required for the set-aside.

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

NOTE U – PRIOR PERIOD ADJUSTMENTS

The beginning fixed asset balance of the general fixed asset account group and the beginning fixed asset balance of the enterprise funds have been adjusted for an increase in the capitalization threshold from \$250 to \$500 and for corrections to the fixed asset detail as follows:

	<u>Enterprise Fund</u>	<u>General Fixed Asset Account Group</u>
Beginning Fixed Asset Balance Previously stated, July 1, 1998	\$236,095	\$25,875,526
Prior Period Adjustment	<u>(21,644)</u>	<u>(1,111,387)</u>
As Restated, July 1, 1998	\$214,451	\$24,764,139

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Nutrition Cluster:						
Food Distribution Program		10.550		\$35,602	\$0	\$19,510
National School Lunch Program	03-PU-98	10.555	2,282	0	2,282	0
	03-PU-99	10.555	12,944	0	12,944	0
	04-PU-98	10.555	1,861	0	1,861	0
	04-PU-99	10.555	17,979	0	17,979	0
Special Milk Program	02-PU-98	10.556	6,401	0	6,401	0
	02-PU-99	10.556	33,799	0	33,799	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>75,267</u>	<u>35,602</u>	<u>75,267</u>	<u>19,510</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-98	84.027	76,916		81,122	
(IDEA Part B)	6B-SF-99	84.027	332,088	0	275,796	0
Total VI-B			409,004	0	356,918	0
Educational Handicapped Preschool	PG-S1-98	84.173	19,266	0	105	0
Total Educational Handicapped			19,266	0	105	0
Innovation Education Program Strategies	C2-S1-97	84.298	(16)	0	0	0
	C2-S1-98	84.298	4,181		7,991	
	C2-S1-99	84.298	42,060	0	37,285	0
Total Title II			46,225	0	45,276	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-98	84.010	97,126	0	104,599	0
	C1-S1-99	84.010	350,734	0	286,246	0
Total Title I			447,860	0	390,845	0
Drug-Free Schools Grant	DR-S1-99	84.186	50,751	0	46,453	0
Total Drug-Free School Grant			50,751	0	46,453	0
Goals 2000	G2-A2-99	84.276	2,739	0	2,739	0
Total Goals 2000			2,739	0	2,739	0
Comprehensive School Reform Grant	RF-S1-99	84.332	75,000	0	211	0
Total Comprehensive School Reform Grant			75,000	0	211	0
E-Rate		84.XXX	9,521	0	0	0
Total E-Rate			9,521	0	0	0
Total Department of Education			<u>1,060,366</u>	<u>0</u>	<u>842,547</u>	<u>0</u>
Totals			<u>\$1,135,633</u>	<u>\$35,602</u>	<u>\$917,814</u>	<u>\$19,510</u>

See accompanying notes to the Schedule of Federal Awards Expenditures

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Oak Hills 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, 1999, the district had food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Oak Hills Local School District
Hamilton County
6479 Bridgetown Road
Cincinnati, Ohio 45248

To the Board of Education:

We have audited the financial statements of the Oak Hills Local School District, Hamilton County, Ohio (the District) as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated February 15, 2000 in which we disclose the District's change in the method of accounting for the capitalization threshold of fixed assets. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10431-001.

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 the management of the District in a separate letter dated February 15, 2000.

Oak Hills 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, Board of Education, and management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Jim Petro
Auditor of State

February 15, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Oak Hills Local School District
Hamilton County
6479 Bridgetown Road
Cincinnati, Ohio 45248

To the Board of Education:

Compliance

We have audited the compliance of the Oak Hills Local School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program cluster for the fiscal year ended June 30, 1999. The District's major federal program cluster is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Oak Hills Local School District, Hamilton County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program cluster for the fiscal year ended June 30, 1999.

Internal Controls Over Compliance

The management of the Oak Hills Local School District, Hamilton County, Ohio (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 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 weaknesses is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

February 15, 2000

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

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program (list):	<i>Special Education Cluster:</i> Special Education Grants to States, CFDA #84.027; Special Education - Preschool Grant, CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-10431-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, requires that, "The total appropriations from each fund shall not exceed the total estimated revenue available for expenditures therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals." At December 31, 1998, total appropriations were found to exceed total estimated revenue by \$972,515 in the Bond Retirement Fund, and \$181,478 in the Food Services Fund.

Failure to monitor budgetary accounts and make necessary budgetary amendments on an interim basis could result in deficit fund balances. However, the District's practice of monitoring the budget throughout the year detected and corrected the above compliance citation within thirty days of its occurrence.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	N/A
CFDA Title and Number	N/A
Federal Award Number / Year	N/A
Federal Agency	N/A
Pass-Through Agency	N/A



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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OAK HILLS LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2000**