



**FOREST HILLS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



**FOREST HILLS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Forest Hills Local School District  
Hamilton County  
7550 Forest Road  
Cincinnati, Ohio 45255

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Forest Hills Local School District, Hamilton County, (the District) as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Forest Hills Local School District, Hamilton County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary funds and nonexpendable fund 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 January 9, 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.

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

**Jim Petro**  
Auditor of State

January 9, 2001

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**FOREST HILLS LOCAL SCHOOL DISTRICT**

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2000

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust & Agency	General	Long-Term Debt	General Fixed Asset	General		
<b>ASSETS AND OTHER DEBITS</b>												
<b>ASSETS:</b>												
Equity in pooled cash and cash equivalents	\$ 10,693,519	538,982	1,116,542	4,575,819	822,048	1,009,113	-	-	-	-	-	18,756,023
Cash with fiscal agents	-	-	-	11,636	-	-	-	-	-	-	-	11,636
Net receivables:												
Taxes	26,210,548	-	1,704,576	-	-	-	-	-	-	-	-	27,915,124
Accounts	25,642	4,698	-	-	3,364	-	-	-	-	-	-	33,704
Accrued interest	4,419	138	-	47,600	3,769	-	-	-	-	-	-	55,926
Intergovernmental	9,180	2,845	-	-	-	-	-	-	-	-	-	12,025
Materials and supply inventory	166,769	-	-	-	51,757	-	-	-	-	-	-	218,526
Restricted assets:												
Equity in pooled cash and cash equivalents	717,988	-	-	-	-	-	-	-	-	-	-	717,988
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	366,378	-	-	62,074,630	-	-	-	62,441,008
<b>OTHER DEBITS:</b>												
Amount available in Debt Service Fund	-	-	-	-	-	-	-	-	1,746,107	-	-	1,746,107
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	-	25,568,901	-	25,568,901
Total assets and other debits	\$ 37,828,065	546,663	2,821,118	4,635,055	1,247,316	1,009,113	-	62,074,630	27,315,008	-	-	137,476,968

Continued

The notes to the financial statements are an integral part of this statement.



**FOREST HILLS LOCAL SCHOOL DISTRICT**

Combined Balance Sheet - All Fund Types and Account Groups (Continued)

June 30, 2000

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types			Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust & Agency	General Fixed Asset	Long-Term Debt	General	Long-Term Debt	Total	Total (Memorandum Only)	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>													
<b>LIABILITIES:</b>													
Accounts payable	\$ 72,550	9,107	-	-	1,992	-	-	-	-	-	-	-	83,649
Contracts payable	-	-	-	270,155	-	-	-	-	-	-	-	-	270,155
Retainage payable	-	-	-	20,455	-	-	-	-	-	-	-	-	20,455
Accrued wages and benefits	4,038,626	67,309	-	-	76,337	-	-	-	-	-	-	-	4,182,272
Accrued interest payable	-	-	-	4,020	-	-	-	-	-	-	-	-	4,020
Due to other governments	1,403	-	-	-	-	-	-	-	-	-	-	-	1,403
Due to student groups	-	-	-	-	-	152,569	-	-	-	-	-	-	152,569
Compensated absences payable	426,441	-	-	-	46,389	-	-	-	-	2,106,130	-	-	2,578,960
Deferred revenue	17,156,021	-	1,075,011	-	30,381	-	-	-	-	-	-	-	18,261,413
Capital leases payable	-	-	-	-	-	-	-	-	-	142,376	-	-	142,376
Pension obligation payable	798,350	1,670	-	-	117,814	-	-	-	-	456,502	-	-	1,374,336
General obligation notes payable	-	-	-	250,000	-	-	-	-	-	-	-	-	250,000
Arbitrage payable	-	-	-	118,052	-	-	-	-	-	-	-	-	118,052
General obligation bonds payable	-	-	-	-	-	-	-	-	-	24,610,000	-	-	24,610,000
<b>Total liabilities</b>	<b>22,493,391</b>	<b>78,086</b>	<b>1,075,011</b>	<b>662,682</b>	<b>272,913</b>	<b>152,569</b>	<b>-</b>	<b>-</b>	<b>62,074,630</b>	<b>-</b>	<b>27,315,008</b>	<b>-</b>	<b>52,049,660</b>
<b>EQUITY AND OTHER CREDITS:</b>													
Investments in general fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	62,074,630
Contributed capital	-	-	-	-	217,353	-	-	-	-	-	-	-	217,353
Retained earnings: unreserved	-	-	-	-	757,050	-	-	-	-	-	-	-	757,050
<b>Fund balances:</b>													
Reserved for:													
Encumbrances	106,452	52,817	-	2,575,663	-	28,800	-	-	-	-	-	-	2,763,732
Endowment	-	-	-	-	-	711,543	-	-	-	-	-	-	711,543
Budget stabilization set-aside	717,988	-	-	-	-	-	-	-	-	-	-	-	717,988
Supplies inventory	166,769	-	-	-	-	-	-	-	-	-	-	-	166,769
Property tax advances	8,973,520	-	623,425	-	-	-	-	-	-	-	-	-	9,596,945
Debt service	-	-	1,122,682	-	-	-	-	-	-	-	-	-	1,122,682
Unreserved - undesignated	5,369,945	415,760	-	1,396,710	-	116,201	-	-	-	-	-	-	7,298,616
<b>Total equity and other credits</b>	<b>15,334,674</b>	<b>468,577</b>	<b>1,746,107</b>	<b>3,972,373</b>	<b>974,403</b>	<b>856,544</b>	<b>62,074,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,427,308</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 37,828,065</b>	<b>546,663</b>	<b>2,821,118</b>	<b>4,635,055</b>	<b>1,247,316</b>	<b>1,009,113</b>	<b>62,074,630</b>	<b>-</b>	<b>62,074,630</b>	<b>27,315,008</b>	<b>-</b>	<b>-</b>	<b>137,476,968</b>

The notes to the financial statements are an integral part of this statement.

## FOREST HILLS LOCAL SCHOOL DISTRICT

### Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Similar Trust Funds

Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
Taxes	\$ 25,615,738	-	1,802,220	-	-	27,417,958
Tuition	101,693	-	-	-	-	101,693
Earnings on investments	101,252	6,748	-	1,163,817	7,570	1,279,387
Other local revenue	1,810,793	601,589	107,151	13,580	25,040	2,558,153
Intergovernmental - state	17,353,259	586,208	237,367	10,000	-	18,186,834
Intergovernmental - federal	-	541,930	-	-	-	541,930
Total revenues	<u>44,982,735</u>	<u>1,736,475</u>	<u>2,146,738</u>	<u>1,187,397</u>	<u>32,610</u>	<u>50,085,955</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	24,108,742	119,094	-	226,242	-	24,454,078
Special	3,953,266	255,816	-	-	-	4,209,082
Vocational education	62,354	-	-	-	-	62,354
Other	113,274	-	-	-	-	113,274
<b>Support services:</b>						
Pupil	1,901,495	79,901	-	-	-	1,981,396
Instructional staff	2,792,306	246,650	-	-	-	3,038,956
General administration	24,590	-	-	-	-	24,590
School administration	3,118,662	327,340	-	140	-	3,446,142
Fiscal and business	803,677	-	-	-	-	803,677
Operations and maintenance	4,060,211	-	-	-	-	4,060,211
Pupil transportation	3,238,527	-	-	-	-	3,238,527
Central	277,078	-	-	-	-	277,078
Community services	33,161	311,783	-	-	24,890	369,834
Extracurricular activities	884,757	422,975	-	-	-	1,307,732
<b>Capital outlay:</b>						
Facilities acquisition and construction	-	-	-	3,732,637	-	3,732,637
<b>Debt Service:</b>						
Principal	43,528	-	570,000	-	-	613,528
Interest	12,679	-	1,413,598	12,093	-	1,438,370
Total expenditures	<u>45,428,307</u>	<u>1,763,559</u>	<u>1,983,598</u>	<u>3,971,112</u>	<u>24,890</u>	<u>53,171,466</u>
Excess of revenues over (under) expenditures	(445,572)	(27,084)	163,140	(2,783,715)	7,720	(3,085,511)
<b>Other financing sources (uses):</b>						
Operating transfers in	-	69,839	96,993	258,721	-	425,553
Operating transfers out	(328,560)	-	(96,993)	-	-	(425,553)
Other financing uses	(879)	(37,726)	-	-	-	(38,605)
Capital lease	58,428	-	-	-	-	58,428
Other financing sources	24,150	825	-	850	-	25,825
Total other financing sources (uses)	<u>(246,861)</u>	<u>32,938</u>	<u>-</u>	<u>259,571</u>	<u>-</u>	<u>45,648</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	(692,433)	5,854	163,140	(2,524,144)	7,720	(3,039,863)
Fund balance, beginning of year	<u>16,027,107</u>	<u>462,723</u>	<u>1,582,967</u>	<u>6,496,517</u>	<u>137,281</u>	<u>24,706,595</u>
Fund balance, end of year	<u>\$ 15,334,674</u>	<u>468,577</u>	<u>1,746,107</u>	<u>3,972,373</u>	<u>145,001</u>	<u>21,666,732</u>

The notes to the financial statements are an integral part of this statement.

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**FOREST HILLS LOCAL SCHOOL DISTRICT**

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Funds

Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes	\$ 26,603,848	26,604,918	1,070	-	-	-
Tuition	108,500	101,933	(6,567)	-	-	-
Earnings on investments	93,748	96,836	3,088	6,610	6,610	-
Extracurricular activities	41,000	42,960	1,960	500,217	476,976	(23,241)
Classroom materials and fees	56,000	56,222	222	-	-	-
Other local revenues	1,728,625	1,712,120	(16,505)	95,586	125,894	30,308
Intergovernmental - state and local	17,248,803	17,348,809	100,006	581,208	586,208	5,000
Intergovernmental - federal	-	-	-	571,322	571,322	-
Total revenues	<u>45,880,524</u>	<u>45,963,798</u>	<u>83,274</u>	<u>1,754,943</u>	<u>1,767,010</u>	<u>12,067</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	24,214,166	23,961,120	253,046	193,242	147,236	46,006
Special	4,007,547	3,872,857	134,690	280,765	268,607	12,158
Vocational	71,130	67,603	3,527	-	-	-
Other	123,860	115,183	8,677	-	-	-
Support services:						
Pupil	1,937,003	1,885,430	51,573	104,321	91,185	13,136
Instructional staff	2,830,710	2,771,278	59,432	318,341	259,474	58,867
General administration	31,830	24,414	7,416	-	-	-
School administration	3,218,030	3,128,817	89,213	399,330	329,081	70,249
Fiscal and business	813,820	798,526	15,294	-	-	-
Operations and maintenance	4,189,173	4,126,213	62,960	-	-	-
Pupil transportation	3,291,034	3,243,442	47,592	-	-	-
Central	297,491	276,288	21,203	-	-	-
Community services	37,948	34,934	3,014	385,092	328,776	56,316
Extracurricular activities	901,781	882,625	19,156	492,776	430,374	62,402
Capital outlay:						
Facilities acquisition and construction	-	-	-	-	-	-
Debt Service:						
Repayment of debt	-	-	-	-	-	-
Total expenditures	<u>45,965,523</u>	<u>45,188,730</u>	<u>776,793</u>	<u>2,173,867</u>	<u>1,854,733</u>	<u>319,134</u>
Excess of revenues over (under) expenditures	<u>(84,999)</u>	<u>775,068</u>	<u>860,067</u>	<u>(418,924)</u>	<u>(87,723)</u>	<u>331,201</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	72,327	69,839	(2,488)
Operating transfers (out)	(329,000)	(328,560)	440	(25,735)	-	25,735
Proceeds from sale of notes	-	-	-	-	-	-
Sale of assets	5,000	4,119	(881)	-	-	-
Other financing uses	(53,440)	(878)	52,562	(37,726)	(37,726)	-
Other financing sources	15,900	17,121	1,221	-	220	220
Total other financing sources (uses)	<u>(361,540)</u>	<u>(308,198)</u>	<u>53,342</u>	<u>8,866</u>	<u>32,333</u>	<u>23,467</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	<u>(446,539)</u>	<u>466,870</u>	<u>913,409</u>	<u>(410,058)</u>	<u>(55,390)</u>	<u>354,668</u>
Fund balance, beginning of year	10,132,690	10,132,690		450,252	450,252	
Prior year encumbrances appropriated	<u>632,116</u>	<u>632,116</u>		<u>83,612</u>	<u>83,612</u>	
Fund balance, end of year	\$ <u>10,318,267</u>	\$ <u>11,231,676</u>		<u>123,806</u>	<u>478,474</u>	

The notes to the financial statements are an integral part of this statement.

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
1,867,439	1,869,448	2,009	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,206,570	1,253,986	47,416	7,966	8,045	79
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
107,031	107,151	120	-	13,580	13,580	25,034	25,039	5
236,120	237,367	1,247	10,000	10,000	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>2,210,590</u>	<u>2,213,966</u>	<u>3,376</u>	<u>1,216,570</u>	<u>1,277,566</u>	<u>60,996</u>	<u>33,000</u>	<u>33,084</u>	<u>84</u>
-	-	-	268,892	229,200	39,692	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	7,585	6,912	673	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	202,000	139	201,861	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	90,000	53,690	36,310
-	-	-	-	-	-	-	-	-
-	-	-	7,338,968	7,249,143	89,825	-	-	-
<u>2,336,665</u>	<u>2,330,591</u>	<u>6,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,336,665</u>	<u>2,330,591</u>	<u>6,074</u>	<u>7,817,445</u>	<u>7,485,394</u>	<u>332,051</u>	<u>90,000</u>	<u>53,690</u>	<u>36,310</u>
<u>(126,075)</u>	<u>(116,625)</u>	<u>9,450</u>	<u>(6,600,875)</u>	<u>(6,207,828)</u>	<u>393,047</u>	<u>(57,000)</u>	<u>(20,606)</u>	<u>36,394</u>
99,500	96,993	(2,507)	161,730	161,728	(2)	-	-	-
-	-	-	-	-	-	-	-	-
250,000	250,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	3,039	3,039	-	-	-
<u>349,500</u>	<u>346,993</u>	<u>(2,507)</u>	<u>161,730</u>	<u>164,767</u>	<u>3,037</u>	<u>-</u>	<u>-</u>	<u>-</u>
223,425	230,368	6,943	(6,439,145)	(6,043,061)	396,084	(57,000)	(20,606)	36,394
886,174	886,174	-	3,865,274	3,865,274	-	113,306	113,306	-
-	-	-	3,907,794	3,907,794	-	23,500	23,500	-
<u>1,109,599</u>	<u>1,116,542</u>		<u>1,333,923</u>	<u>1,730,007</u>		<u>79,806</u>	<u>116,200</u>	

## FOREST HILLS LOCAL SCHOOL DISTRICT

### Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance Proprietary Fund Type and Similar Trust Fund

Year Ended June 30, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<b>Operating revenues:</b>			
Charges for services	\$ 1,345,272	-	1,345,272
Tuition and fees	329,995	-	329,995
Contributions	-	696,763	696,763
Total operating revenues	1,675,267	696,763	2,372,030
<b>Operating expenses:</b>			
Personnel services	855,391	-	855,391
Contractual services	70,188	-	70,188
Materials and supplies	1,062,711	-	1,062,711
Depreciation	34,570	-	34,570
Other expenses	2,341	-	2,341
Total operating expenses	2,025,201	-	2,025,201
Operating income (loss)	(349,934)	696,763	346,829
<b>Nonoperating revenues:</b>			
Interest	37,182	14,780	51,962
Operating grants	157,916	-	157,916
Operating grants - donated commodities	95,791	-	95,791
Total nonoperating revenues	290,889	14,780	305,669
Net income (loss)	(59,045)	711,543	652,498
Retained earnings/fund balance at beginning of year	816,095	-	816,095
Retained earnings/fund balance at end of year	757,050	711,543	1,468,593
Contributed capital at beginning of year	217,353	-	217,353
Additions to contributed capital	-	-	-
Contributed capital at end of year	217,353	-	217,353
Total fund equity at end of year	\$ 974,403	711,543	1,685,946

The notes to the financial statements are an integral part of this statement.

## FOREST HILLS LOCAL SCHOOL DISTRICT

### Combined Statement of Cash Flows - Proprietary Fund Type and Similar Trust Fund

Year Ended June 30, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,674,853	-	1,674,853
Cash received from contributors	-	696,763	696,763
Cash payments for personal services	(787,282)	-	(787,282)
Cash payments for contract services	(68,692)	-	(68,692)
Cash payments for supplies and materials	(971,531)	-	(971,531)
Cash payments for other expenses	(2,341)	-	(2,341)
Net cash provided (used) by operating activities	(154,993)	696,763	541,770
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants	157,916	-	157,916
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(54,276)	-	(54,276)
<b>Cash flows from investing activities:</b>			
Investment income	35,866	14,780	50,646
Net increase (decrease) in cash	(15,487)	711,543	696,056
Cash, beginning of year	837,535	-	837,535
Cash, end of year	822,048	711,543	1,533,591
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	(349,934)	696,763	346,829
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>			
Depreciation	34,570	-	34,570
Donated commodities used	95,791	-	95,791
<b>Changes in assets and liabilities:</b>			
Increase in accounts receivable	(414)	-	(414)
Increase in accounts payable	551	-	551
Decrease in supplies inventory	428	-	428
Increase in accrued wages and benefits	7,390	-	7,390
Increase in pension obligation payable	51,174	-	51,174
Decrease in deferred revenue	(4,094)	-	(4,094)
Increase in compensated absences payable	9,545	-	9,545
Net cash provided (used) by operating activities	\$ (154,993)	696,763	541,770
<b>Reconciliation of Nonexpendable Trust to Balance Sheet:</b>			
Cash and Cash Equivalents - All Fiduciary Funds	\$	1,009,113	
Cash and Cash Equivalents - Expendable Trust and Agency Funds		(297,570)	
Cash and Cash Equivalents - Nonexpendable Trust Fund	\$	711,543	

The notes to the financial statements are an integral part of this statement.

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**FOREST HILLS LOCAL SCHOOL DISTRICT**  
**Notes to the General Purpose Financial Statements**  
**Year Ended June 30, 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Forest Hills Local School District (the "School District") was originally chartered by the Ohio State Legislature. In 1853, state laws were enacted to create a local Board of Education. Today, the School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.09 of the Ohio Revised Code. The School 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 guidelines. This Board controls the School District's instructional and support facilities to provide services to students and other community members.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. This includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The following activity is included within the reporting entity:

*Parochial School* - Within the School District boundaries, Immaculate Heart of Mary Elementary School is operated through the Cincinnati Catholic Archdiocese. Current State legislation provides funding to this parochial school, which is received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The administration of the State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

The School District is associated with three organizations, two of which are as jointly governed organizations and one is an insurance purchasing pool. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Great Oaks Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. The organizations are presented in Notes 15 and 16 to the general purpose financial statements.

## **B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The financial statements of the School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

### **Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

#### *Governmental Fund Types:*

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

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

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure 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 obligation principal, interest, and related costs.

*Capital Projects Fund* - The 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 or trust funds).

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector. The following is the School District's proprietary fund type:

*Enterprise Fund* - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (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 where it has been 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 Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds while 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, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

## **Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, accounts and grants.

The School District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000 that are intended to finance fiscal year 2001 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

The proprietary fund type and nonexpendable trust funds utilize the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

## **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

### *Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit 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 express 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 rate determination.

### *Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

### *Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the object level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriate resolutions, 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 at any level of control. Any revisions that alter the total of any object appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2000, investments were limited to STAROhio and certificates of deposit. Investments are reported at their fair value, which is based on quoted market prices and changes in the fair value are reported in the operating statement. At June 30, 2000, the fair value of investments approximates cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2000.

By Board resolution, all investment earnings accrue to the Permanent Improvement Fund, except for the Bond Retirement Fund, which accrues to the General Fund, the Special Trust Fund and Building Fund which accrue to themselves and other funds as required by law such as Food Services and Auxiliary Services.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at purchase are considered to be cash equivalents.

### **Inventory**

Inventories of governmental funds are stated at cost while inventories of the enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise funds consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

### **Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two hundred fifty dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of three to twenty years.

### **Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements (to the extent they are intended to finance the current fiscal year) and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

Grants and entitlements amounted to approximately thirty-six percent of the School District's operating revenue during the 2000 fiscal year.

## **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after twenty-five years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

## **Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than two months after fiscal year-end are considered not to have used current available financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

## **Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.



## **Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can only be used after receiving approval from the State Superintendent of Public Instruction. A corresponding fund balance reserve has also been established.

## **Estimates**

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

## **Fund Balance Reserves**

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property tax advances, debt service, endowment, and budget stabilization set-asides. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

## **Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Total - (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 cash flows 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.

## **2. ACCOUNTABILITY**

At June 30, 2000, the following special revenue funds have deficit fund balances:

EMIS	\$ 90
Title VI-B	7,011
Title I	12,850
Title VI	4,859

The deficit fund balances were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

### 3. BUDGETARY BASIS OF ACCOUNTING

While the School District is 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, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Similar Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that receives the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Funds

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ (692,433)	5,854	163,140	(2,524,144)	7,720
Revenue					
Accruals	981,063	30,535	67,228	90,169	474
Expenditure					
Accruals	419,406	(30,668)	(346,993)	(668,472)	-
Other sources	(61,337)	(605)	346,993	(94,804)	-
Encumbrances	(179,829)	(60,506)	-	(2,845,810)	(28,800)
Budget Basis	<u>\$ 466,870</u>	<u>(55,390)</u>	<u>230,368</u>	<u>(6,043,061)</u>	<u>(20,606)</u>

#### **4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies are permitted to be deposited or invested 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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; and
6. The State Treasurer's investment pool (STAROhio).

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$6,906,749 and the bank balance was \$12,495,095. Of the bank balance, \$411,636 was covered by federal depository insurance and \$12,083,459 was uninsured and uncollateralized.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured 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 which are held by the counter party'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 counter party, or by its trust department or agent but not in the District's name. The District's investment in STAROhio is unclassified because it is not evidenced by securities that exist in physical or book entry form. The fair value of the School District's investment in STAR Ohio is \$12,578,898 at June 30, 2000.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 19,485,647	-
Investments:		
STAR Ohio	(12,578,898)	<u>12,578,898</u>
GASB Statement No. 3	\$ <u>6,906,749</u>	<u>12,578,898</u>

## 5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and

are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hamilton County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$8,973,520 in the General Fund and \$623,425 in the Debt Service Fund.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Public Utility and Other Real Estate	\$ 891,908,340	94.53%	\$ 991,416,700	94.69%
Tangible Personal Property	51,573,540	5.47%	55,582,480	5.31%
Total Assessed Value	<u>\$ 943,481,880</u>	<u>100.00%</u>	<u>\$1,046,999,180</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 54.07		\$ 53.86	

## 6. FIXED ASSETS

A summary of the proprietary funds' fixed assets at June 30, 2000, follows:

	<u>Enterprise</u>
Furniture and Equipment	\$ 808,414
Less Accumulated Depreciation	<u>(442,036)</u>
Net Fixed Assets	<u>\$ 366,378</u>

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	<u>Balance at 7/01/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/00</u>
Land and Improvements	\$ 1,467,027	-	-	1,467,027
Buildings and Improvements	43,824,856	1,717,589	405,471	45,136,974
Other Improvements	3,367,482	121,206	11,982	3,476,706
Furniture, Fixtures and Equipment	7,206,618	1,356,268	463,904	8,098,982
Vehicles	2,872,631	855,755	160,293	3,568,093
Construction in progress	395,276	2,110,451	2,120,451	385,276
Total General Fixed Assets	<u>\$59,133,890</u>	<u>6,161,269</u>	<u>3,162,101</u>	<u>62,133,058</u>

## 7. RISK MANAGEMENT

The School District maintains comprehensive insurance with private carriers for real property, building contents, vehicles and general liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The GRP is intended to reduce the School District's premium by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

## **8. DEFINED BENEFIT PENSION PLANS**

### **School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$894,111, \$790,694, and \$711,303 respectively; 25% has been contributed for fiscal year 2000 and 100% for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

### **State Teachers Retirement System**

The 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 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 issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The 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%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2000, 1999, and 1998 were \$3,472,230, \$3,240,500 and \$3,109,163, respectively; 83% has been contributed for fiscal year 2000 and 100% for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

### **Social Security System**

All employees not covered by SERS or STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

## **9. POSTEMPLOYMENT BENEFITS**

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

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$1,984,131 during fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 6.30% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% 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 for the year ended June 30, 1999 were \$126.4 million and the target level was \$189.6 million. At June 30, 1999, SERS' net assets available for payment of health care benefits was \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, equaled \$515,467 during the 2000 fiscal year.

## **10. EMPLOYEE BENEFITS**

### **Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to maximum of 215 days for teachers



and 260 days for administrators and classified employees. Upon retirement of certified employees, payment is made for one-half of accrued, but unused sick leave, however, this amount is reduced to only twenty five percent if they do not leave when first eligible.

## 11. SHORT-TERM OBLIGATIONS

As of June 30, 2000, the School District had outstanding short-term obligations in the amount of \$250,000. During fiscal year 2000, the School District retired bond anticipation notes in the amount of \$335,000. The debt was paid from the Debt Service Fund, the fund that had received the proceeds.

## 12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding 7/01/99	Additions	Deductions	Principal Outstanding 6/30/00
Serial Bond 1996 6.02%	\$ 2,400,000	-	100,000	2,300,000
Serial Bond 1997 5.67%	22,780,000	-	470,000	22,310,000
Total Long-Term Bonds	25,180,000	-	570,000	24,610,000
Pension Obligation	333,351	456,502	333,351	456,502
Capital leases payable	127,476	58,428	43,528	142,376
Compensated Absences	1,929,816	176,314	-	2,106,130
Total General Long-Term Obligations	<u>\$ 27,570,643</u>	<u>691,244</u>	<u>946,879</u>	<u>27,315,008</u>

*Capital Improvement Bonds Payable* - On December 1, 1996, Forest Hills Local School District issued \$2,600,000 in voted general obligations bonds for the purpose of expanding and improving the school facilities. The bonds were issued for a twenty-four year period with final maturity at December 1, 2020. The bonds will be retired from the debt service fund.

*Capital Improvement Bonds Payable* - On April 1, 1997, Forest Hills Local School District issued \$23,500,000 in voted general obligations bonds for the purpose of constructing a junior high school. The bonds were issued for a twenty-year period with final maturity at December 1, 2016. The bonds will be retired from the debt service fund.

The School District's voted legal debt margin was \$69,619,926 with an unvoted debt margin of \$1,046,999 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2001	\$ 635,000	1,362,706	1,997,706
2002	700,000	1,332,603	2,032,603
2003	770,000	1,298,725	2,068,725
2004	845,000	1,260,704	2,105,704
2005	920,000	1,218,275	2,138,275
2006-2010	6,045,000	5,220,473	11,265,473
2011-2015	9,255,000	2,992,149	12,247,149
2016-2020	5,240,000	438,360	5,678,360
2021	200,000	6,250	206,250
Total	<u>\$24,610,000</u>	<u>15,130,245</u>	<u>39,740,245</u>

### 13. CAPITALIZED LEASES

The School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. Assets under capital leases totaled \$242,628 at June 30, 2000. The following is a schedule of future minimum lease payments under capital leases and the net present value of the minimum lease payments as of June 30, 2000.

Year Ending June 30		
2001	\$	58,716
2002		58,716
2003		29,132
2004		<u>13,145</u>
Minimum lease payments		159,709
Less: Amount representing interest		<u>(17,333)</u>
Present value of minimum lease payments	\$	<u>142,376</u>

#### 14. SEGMENT INFORMATION FOR ENTERPRISE FUND

The School District maintains three enterprise funds to account for the operations of food services, uniform school supplies and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

		Food <u>Service</u>	Uniform <u>School Supplies</u>	Adult <u>Education</u>
Operating revenues	\$	1,345,272	293,068	36,927
Operating expenses before depreciation		1,661,111	292,614	36,906
Depreciation		34,570	-	-
Operating income (loss)		(350,409)	454	21
Donated commodities		95,791	-	-
Operating grants		157,916	-	-
Investment earnings		37,182	-	-
Net income (loss)		(59,520)	454	21
Net working capital		463,137	140,936	3,952
Total assets		1,102,315	141,005	3,996
Total liabilities		272,800	69	44
Total equity		829,515	140,936	3,952
Encumbrances at June 30, 2000	\$	12,186	14,453	17

#### 15. JOINTLY GOVERNED ORGANIZATIONS

##### *The Hamilton Clermont Cooperative Association/Unified Purchasing Association*

The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two-county consortium of school districts. H/CCA 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 H/CCA consists of one representative from each of the participating members. The School District paid approximately \$50,000 for services provided during the fiscal year. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

*The Great Oaks Joint Vocational School District*

The Great Oaks Joint Vocational School District, a jointly governed organization, 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 participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks Joint Vocational School was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for the Joint Vocational School. To obtain financial information, write to the Great Oaks Joint Vocational School, at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**16. INSURANCE PURCHASING POOLS**

*Ohio School Boards Association Workers' Compensation Group Rating Plan*

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**17. CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the School District at June 30, 2000.

**Litigation**

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

## 18. REQUIRED SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of June 30, 1999	\$ -	-	602,122	602,122
Current year set-aside requirement	1,099,511	1,099,511	366,504	2,565,526
Less qualifying disbursements and offsets	<u>1,807,547</u>	<u>2,376,630</u>	<u>250,638</u>	<u>4,434,815</u>
Total	<u>(708,036)</u>	<u>(1,277,119)</u>	<u>717,988</u>	
Cash balance carried forward to FY 2001	<u>-</u>	<u>-</u>	<u>717,988</u>	
Amount restricted for budget stabilization				<u>717,988</u>
Total restricted assets			\$	<u>717,988</u>

The School District had qualifying disbursements during the year that reduced the set aside amounts for textbooks and instructional materials and capital and maintenance to below zero. The extra amounts for textbooks and instructional materials may be used to reduce the set aside requirements of future years.

## 19. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 2000, the School District received approximately \$14,000,000 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision

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

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

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

**FOREST HILLS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550		\$91,697		\$95,791
National School Lunch Program		10.555	\$154,858		\$154,858	
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>154,858</u>	<u>91,697</u>	<u>154,858</u>	<u>95,791</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-98 6B-SF-99	84.027	15,824 <u>233,599</u> 249,423		38,413 <u>215,022</u> 253,435	
Special Education Preschool Grants	PG-S1-98 PG-S1-99	84.173	0 <u>22,790</u> 22,790		4,073 <u>18,892</u> 22,965	
Total Special Education Cluster			<u>272,213</u>		<u>276,400</u>	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-99 C1-S1-00	84.010	0 <u>127,602</u> 127,602		22,347 <u>126,302</u> 148,649	
Safe and Drug-Free Schools and Communities State Grants	DR-S1-99 DR-S1-00	84.186	0 <u>33,452</u> 33,452		2,274 <u>29,418</u> 31,692	
Eisenhower Professional Development Grant	MS-S1-98 MS-S1-99 MS-S1-00	84.281	0 0 <u>21,336</u> 21,336		885 10,701 <u>0</u> 11,586	
Innovative Educational Program Strategies	C2-S1-99 C2-S1-00	84.298	5,669 <u>37,165</u> 42,834		11,047 <u>35,927</u> 46,974	
Class Size Reduction	CR--S1-99 CR--S1-00	84.340	0 <u>33,743</u> 33,743		14,941 <u>14,324</u> 29,265	
<i>Passed Through The Great Oaks Institute of Technology and Career Development:</i>						
Vocational Education - Basic Grants to States	99 00	84.048	0 <u>16,677</u> 16,677		5,539 <u>8,740</u> 14,279	
Total Department of Education			<u>547,857</u>		<u>558,845</u>	
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><b>\$702,715</b></u>	<u><b>\$91,697</b></u>	<u><b>\$713,703</b></u>	<u><b>\$95,791</b></u>

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

**FOREST HILLS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

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

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash Receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant commodities in inventory.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Forest Hills Local School District  
Hamilton County  
7550 Forest Road  
Cincinnati, Ohio 45255

To the Board of Education:

We have audited the financial statements of Forest Hills Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated January 9, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Forest Hills Local School District  
Hamilton County  
Report 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, 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

January 9, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Forest Hills Local School District  
Hamilton County  
7550 Forest Road  
Cincinnati, Ohio 45255

To the Board of Education:

**Compliance**

We have audited the compliance of Forest 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 for the fiscal year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2000.

**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, 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

January 9, 2001

**FOREST HILLS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

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

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster : Food Distribution- CFDA # 10.550 National School Lunch Program- CFDA # 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**

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**FOREST 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  
FEBRUARY 20, 2001**