



Dave Yost • Auditor of State

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Forest Hills Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Forest Hills Local School District, Hamilton County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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www.ohioauditor.gov

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and the *required budgetary comparison schedule* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2015, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 9, 2015

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FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

This discussion and analysis provides key information from management highlighting the overall financial performance of the Forest Hills Local School District for the year ended June 30, 2014. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2014 are listed below:

- ✓ The assets of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$47,480,975. Of this amount, \$22,436,908 may be used to meet the School District's ongoing obligations to citizens and creditors.
- ✓ In total, net position increased by \$4,678,530.
- ✓ The School District had \$79,206,983 in expenses related to governmental activities; only \$6,801,003 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$77,084,510, made up primarily of property taxes and State Foundation payments, provided the funding for these programs.
- ✓ The General Fund balance increased by \$4,823,851 from \$17,972,715 at June 30, 2013 to \$22,796,566 at June 30, 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the School District's assets, liabilities, and deferred inflows of resources, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating. The statement of activities presents information showing how the School District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

The governmental activities of the School District include instruction, support services (administration, operation and maintenance of plant), and non-instructional services (extracurricular activities, food services) and self-insured risk management. The School District has no business-type activities.

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary fund and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

Proprietary fund. The School District utilizes an internal service fund to account for the management of its self-insured workers' compensation activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

Notes to the basic financial statements. The notes provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the General Fund budget.

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2014 and 2013:

	<u>Governmental Activities</u>	
	<u>FY14</u>	<u>FY13</u>
Assets:		
Current and other assets	\$ 71,649,386	68,224,139
Capital assets	<u>23,982,620</u>	<u>24,723,052</u>
Total assets	<u>95,632,006</u>	<u>92,947,191</u>
Liabilities:		
Long-term liabilities	7,512,776	9,156,998
Other liabilities	<u>8,712,869</u>	<u>8,665,995</u>
Total liabilities	<u>16,225,645</u>	<u>17,822,993</u>
Deferred inflows of resources	<u>31,925,386</u>	<u>32,321,753</u>
Net position:		
Net investment in capital assets	19,308,635	17,811,384
Restricted	5,016,019	5,352,896
Endowment:		
Expendable	1,118	2,062
Nonexpendable	718,295	718,295
Unrestricted	<u>22,436,908</u>	<u>18,917,808</u>
Total net position	<u>\$ 47,480,975</u>	<u>42,802,445</u>

A significant portion of the School District's net position (41%) reflects its net investment in capital assets. Capital assets are used to provide services to citizens and thus, these assets are not available for future spending. A portion of the School District's net position (11%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the School District's ongoing obligations to citizens and creditors.

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

At June 30, 2014, the School District experienced an increase in its total assets of approximately \$2.7 million, or 2.9%. Current and other assets increased by approximately \$3.4 million, primarily due to an increase in cash and investment balances. The School District experienced a \$4.7 million increase in net position, primarily attributable to increases in property taxes and intergovernmental revenue. Property taxes increased due to having a full year of collections from the 3.9 mill operating levy passed in March 2012. Intergovernmental revenues increased 8.3% due to additional state foundation funding from House Bill 59 (state budget). Capital assets declined about \$740,000 due to current year depreciation expense exceeding current year net capital asset additions.

Total liabilities decreased by approximately \$1.6 million, or 9.0%. The majority of that decrease was attributable to a decline in long-term liabilities, due to a combination of scheduled bond payments reducing bonds payable, offset by increases in compensated absences as adjustments to likely to retire thresholds were made due to changes in the state pension systems.

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

B. Change in net position

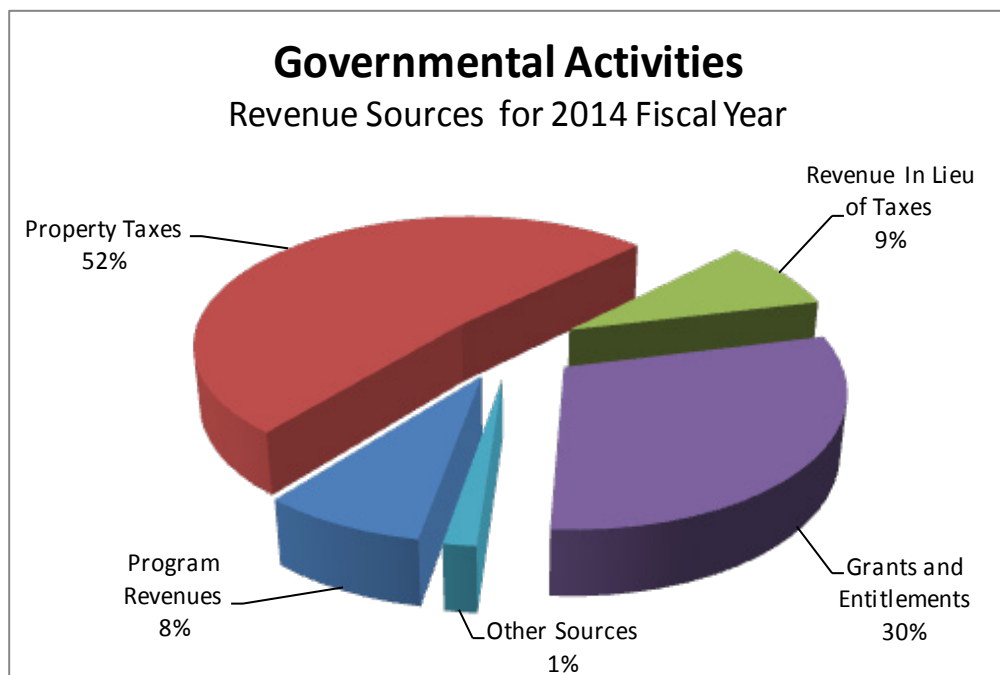
The following table presents a condensed summary of the School District's governmental activities during fiscal years 2014 and 2013 and the resulting change in net position:

	Governmental Activities	
	FY14	FY13
Revenues:		
Program revenues:		
Charges for services and sales	\$ 3,258,956	3,488,826
Operating grants and contributions	3,515,091	3,540,341
Capital grants and contributions	26,956	-
Total program revenues	<u>6,801,003</u>	<u>7,029,167</u>
General revenues:		
Property taxes	43,409,127	42,673,201
Revenue in lieu of taxes	7,274,925	6,807,379
Grants and entitlements	25,028,089	22,747,085
Investment earnings	21,839	37,283
Miscellaneous	1,350,530	1,618,470
Total general revenues	<u>77,084,510</u>	<u>73,883,418</u>
Total revenues	<u>83,885,513</u>	<u>80,912,585</u>
Expenses:		
Instruction	46,030,442	46,358,251
Support services:		
Pupil	5,151,341	5,006,848
Instructional staff	3,984,789	4,137,106
Board of Education	47,499	37,757
Administration	5,149,341	4,927,505
Fiscal	1,533,778	1,332,449
Business	247,754	219,268
Operation and maintenance of plant	6,486,261	5,920,586
Pupil transportation	4,053,166	4,144,193
Central	906,312	771,289
Non-instructional services	3,215,183	3,032,149
Interest and fiscal charges	219,959	284,308
Food services	2,181,158	2,122,045
Total expenses	<u>79,206,983</u>	<u>78,293,754</u>
Change in net position	<u>\$ 4,678,530</u>	<u>2,618,831</u>

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Of the total governmental activities revenues of \$83,885,513, \$6,801,003 (8%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 56% (\$43,409,127) comes from property tax levies and 32% (\$25,028,089) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

Total revenue increased by approximately \$3 million, or 3.7%. Combined property tax and intergovernmental revenue increased by about \$3 million, as previously discussed.



Governmental Activities

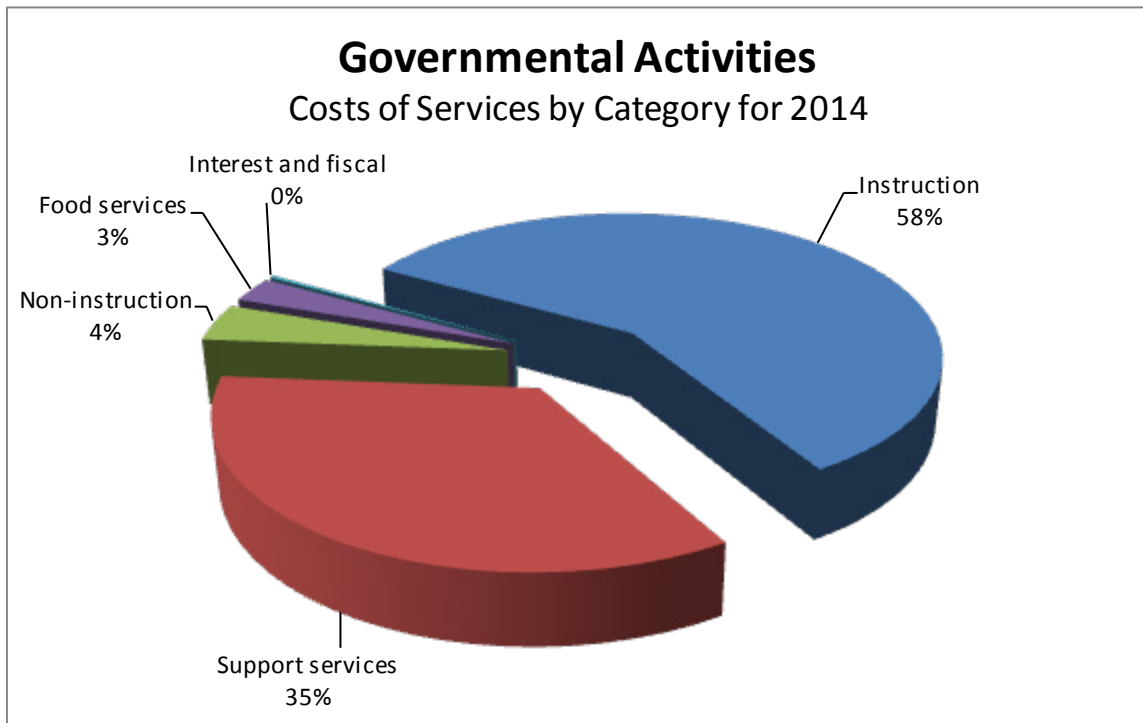
The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 9% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$46,030,442 but program revenue contributed to fund 6% of those costs. Thus, general revenues of \$43,108,494 were used to support of remainder of the instruction costs. The School District's Food Service operation continues to generate enough program revenue to substantially cover daily operating costs. The School District's governmental activities net position increased by \$4,678,530.

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Unaudited

Governmental Activities

		<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$	46,030,442	2,921,948	6%	43,108,494
Support services		27,560,241	454,182	2%	27,106,059
Non-instructional services		3,215,183	1,248,923	39%	1,966,260
Food services		2,181,158	2,175,950	100%	5,208
Interest and fiscal charges		<u>219,959</u>	<u>-</u>	0%	<u>219,959</u>
Total	\$	<u><u>79,206,983</u></u>	<u><u>6,801,003</u></u>	<u>9%</u>	<u><u>72,405,980</u></u>

Fiscal year 2014 total expenses only increased by approximately \$913,000, or 1.1%, from fiscal year 2013, for general inflationary increases.



FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S GENERAL FUND

Governmental funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The School District has one major governmental fund: the General Fund. Assets of this fund comprise \$62,747,531 (88%) of the total \$71,575,882 governmental funds' assets.

General Fund. Fund balance at June 30, 2014 was \$22,796,566, including \$18,543,817 of unassigned balance, which represents 26% of expenditures for fiscal year 2014. Fund balance increased by \$4,823,851, benefiting from an increase in property tax and intergovernmental revenues, as previously discussed and a decrease in expenditures of \$527,766, or 0.7%.

General Fund revenues for the past three years have been increasing at an average of 4.7% annually while General Fund expenditure have been relatively unchanged over the past three years. The following is an excerpt from the School District's General Fund Five Year Forecast (presented on the cash basis):

	Actual			Average Change
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	
<i>Total Revenues</i>	68,476,944	70,787,819	75,091,876	4.7%
<i>Total Expenditures</i>	70,545,915	71,849,314	70,706,142	0.1%
<i>Excess of Revenues over (under) Expenditures</i>	2,068,971-	1,061,495-	4,385,734	-280.9%
Cash Balance July 1	11,756,218	9,687,247	8,625,752	-14.3%
<i>Cash Balance June 30</i>	9,687,247	8,625,752	13,011,486	19.9%

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Unaudited

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. During fiscal year 2014, the School District amended its General Fund budget with Hamilton County as changes occurred in School District revenues and expenditures.

Actual General Fund expenditures were \$2,170,911 (3%) lower than the final budget and \$1,741,153 (2%) lower than the original budget. The results are attributable to conservative budgeting and our continued cost containment efforts.

Actual General Fund revenues came in 2.9% higher than budgeted due to conservative budgeting for intergovernmental revenues, which was primarily due to greater than projected increases in state funding.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2014, the School District had \$23,982,620 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. See Note 5 to the financial statements for more detail.

**Capital Assets at Year-End
(Net of Depreciation)**

		<u>FY14</u>	<u>FY13</u>
Land	\$	1,010,802	1,010,802
Construction in progress		383,377	289,592
Land improvements		906,506	1,067,148
Buildings		13,239,352	13,844,351
Buildings improvements		5,179,198	5,237,799
Furniture and equipment		1,299,856	1,220,723
Vehicles		<u>1,963,529</u>	<u>2,052,637</u>
Total	\$	<u><u>23,982,620</u></u>	<u><u>24,723,052</u></u>

Net Capital Assets decreased \$740,432 in FY14. Major capital assets (construction projects) completed during FY14 included (with approximate value at June 30, 2014):

- Anderson High School – Air Handling Unit Replacement – \$139,769
- Anderson High School – Cafeteria Renovations – \$183,529
- Ayer Elementary School – Carpet Replacement – \$44,534
- Mercer Elementary School - Air Handling Unit Replacement – \$145,687
- Turpin High School – Roof Replacement – \$61,822

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Unaudited

Debt

A summary of long-term obligations is located in Note 10.

In 1996, the School District passed a 2.21 mil bond issue providing \$26.1 million dollars for a new middle school, a new high school auditorium, district technology improvements and other various improvements. These bonds were refunded in November 2003 with \$11,835,000 in Series 2003 refunding bonds.

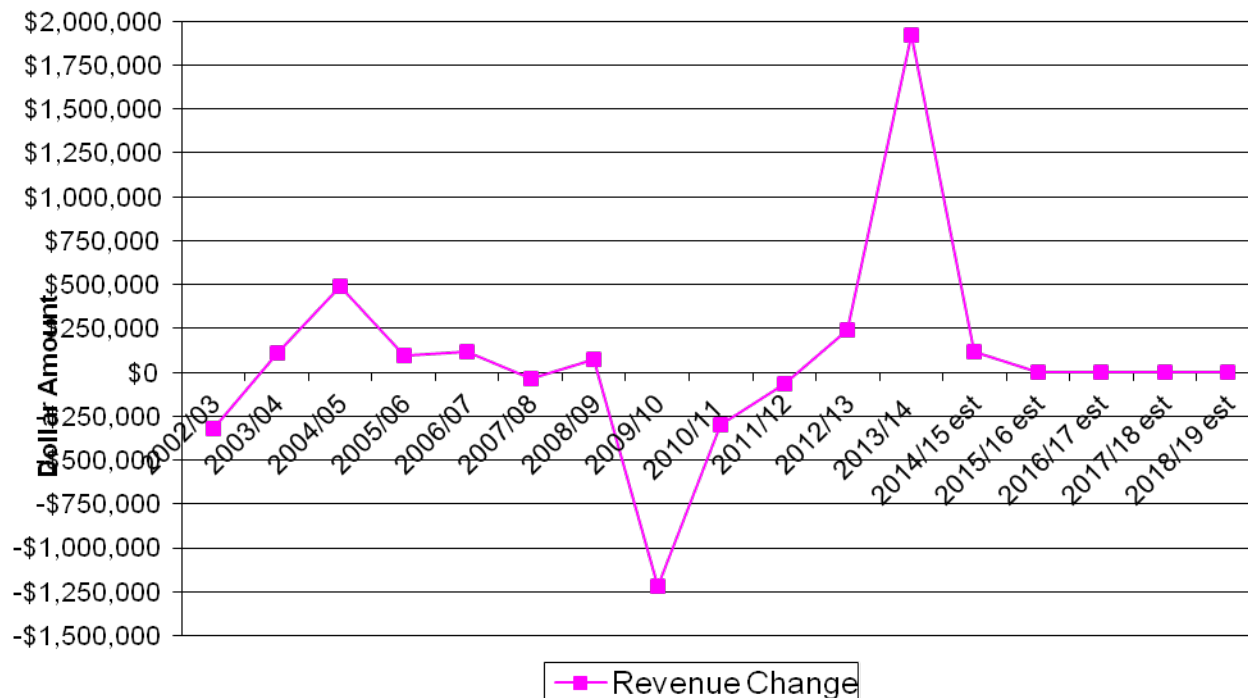
In September 2013, the School District issued \$3,060,000 in Series 2013 refunding bonds to refund \$3,085,000 of the Series 2003 refunding bonds. At June 30, 2014, the School District had \$4,560,000 in outstanding bonds, with \$800,000 due within one year. The School District's overall legal debt margin was \$107,814,957 with an unvoted debt margin of \$1,248,611 at June 30, 2014.

ECONOMIC FACTORS

As challenging economic conditions continue, the School District continues to face significant uncertainty and instability with regard to state funding.

Projecting direct and reimbursement revenue sources from the state continue to a challenge.

State Foundation / Program Funding Changes



FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

Local revenue is also impacted as property values are reduced and delinquencies and Board of Revision filings are at record levels.

Other Economic Factors:

- The taxpayers approved a 3.9 mil continuing operating levy in March 2012. This operating levy was projected to last three years. With careful and prudent planning and continued cost controls the School District has delayed this request for at least two additional years. The School District's Five Year Financial Forecast (FY15-FY19) projects a deficit starting in FY19.
- Given the uncertainty of the state funding formula and the state's economic condition, the level at which the state will fund Forest Hills in the future remains uncertain. The School District will continue to focus on reducing operational costs to maximize the life of the recently passed operating levy as projecting both main sources of funding (state, local property taxes) continues to be challenging
- Enrollment figures impact all planning efforts of the School District including class size projections, staffing levels, facility usage/building capacities and many other long term planning efforts. Enrollment continues to be relatively stable with no significant changes projected.
- Interest rates have remained at very low levels throughout fiscal year 2014. Since General Fund interest earnings are the main source of revenue for the School District's Permanent Improvement Fund, many capital and large preventive maintenance projects continue to be deferred. The most critical and costly projects are now being funded by the General Fund with operating dollars causing a quicker return to the community for support.
- Commercial and residential property values have been severely impacted by a tough economic year as the number of Board of Revisions cases and delinquencies has significantly increased.
- The School District will continue to focus on reducing operational costs to maximize the life of the recently passed operating levy as projecting both main sources of funding (state, local property taxes) continues to be challenging.
- All of the School District's financial management abilities and controls will be needed to meet the challenges of the future. However, with careful financial planning and continued support from the community, management is confident that the School District will continue to provide a high quality education while maintaining a cost effective budget.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Forest Hills Local School District, 7550 Forest Road, Cincinnati, Ohio 45255.

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FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 19,803,814
Receivables:	
Taxes	50,880,335
Accounts	172,852
Intergovernmental	232,970
Supplies inventory	308,777
Restricted cash and investments	250,638
Nondepreciable capital assets	1,394,179
Depreciable capital assets, net	<u>22,588,441</u>
Total assets	<u>95,632,006</u>
Liabilities:	
Accounts payable	467,661
Accrued wages and benefits	6,725,568
Claims payable	237,787
Pension obligation payable	1,264,607
Accrued interest payable	17,246
Noncurrent liabilities:	
Due within one year	1,274,642
Due within more than one year	<u>6,238,134</u>
Total liabilities	<u>16,225,645</u>
Deferred Inflows of Resources:	
Property taxes levied for next fiscal year	<u>31,925,386</u>
Net Position:	
Net investment in capital assets	19,308,635
Restricted for:	
Debt service	3,267,295
Other purposes	1,748,724
Endowment:	
Expendable	1,118
Nonexpendable	718,295
Unrestricted	<u>22,436,908</u>
Total net position	<u>\$ 47,480,975</u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction:					
Regular	\$ 33,983,720	1,251,442	83,035	-	\$ (32,649,243)
Special education	10,311,399	-	1,587,471	-	(8,723,928)
Other	1,735,323	-	-	-	(1,735,323)
Support services:					
Pupil	5,151,341	-	167,210	-	(4,984,131)
Instructional staff	3,984,789	-	79,077	-	(3,905,712)
Board of Education	47,499	-	-	-	(47,499)
Administration	5,149,341	-	180,939	-	(4,968,402)
Fiscal	1,533,778	-	-	-	(1,533,778)
Business	247,754	-	-	-	(247,754)
Operation and maintenance of plant	6,486,261	-	-	26,956	(6,459,305)
Pupil transportation	4,053,166	-	-	-	(4,053,166)
Central	906,312	-	-	-	(906,312)
Non-instructional services:					
Extracurricular activities	2,241,224	402,394	-	-	(1,838,830)
Community service	973,959	-	846,529	-	(127,430)
Food service	2,181,158	1,605,120	570,830	-	(5,208)
Interest on long-term debt	219,959	-	-	-	(219,959)
Total Governmental Activities	\$ 79,206,983	3,258,956	3,515,091	26,956	(72,405,980)

General Revenues:

Property taxes, levied for general purposes	41,566,483
Property taxes, levied for debt services	1,842,644
Revenue in lieu of taxes	7,274,925
Grants and entitlements	
not restricted to specific programs	25,028,089
Investment earnings	21,839
Miscellaneous	1,350,530
Total general revenues	77,084,510
Change in net position	4,678,530
Net position beginning of year	42,802,445
Net position end of year	\$ 47,480,975

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 13,306,455	6,423,855	19,730,310
Restricted cash and investments	250,638	-	250,638
Receivables:			
Taxes	48,787,088	2,093,247	50,880,335
Accounts	169,322	3,530	172,852
Intergovernmental	-	232,970	232,970
Materials and supplies inventory	234,028	74,749	308,777
Total assets	<u>62,747,531</u>	<u>8,828,351</u>	<u>71,575,882</u>
Liabilities:			
Accounts payable	153,076	314,585	467,661
Accrued wages and benefits	6,392,783	332,785	6,725,568
Pension obligation payable	1,191,197	73,410	1,264,607
Compensated absences payable	296,821	-	296,821
Total liabilities	<u>8,033,877</u>	<u>720,780</u>	<u>8,754,657</u>
Deferred Inflows of Resources:			
Property taxes levied for next fiscal year	30,625,358	1,300,028	31,925,386
Unavailable revenue	1,291,730	98,189	1,389,919
Total deferred inflows of resources	<u>31,917,088</u>	<u>1,398,217</u>	<u>33,315,305</u>
Fund Balances:			
Nonspendable	234,028	793,044	1,027,072
Restricted	250,638	4,610,807	4,861,445
Committed	11,000	1,305,503	1,316,503
Assigned	3,757,083	-	3,757,083
Unassigned	18,543,817	-	18,543,817
Total fund balances	<u>22,796,566</u>	<u>6,709,354</u>	<u>29,505,920</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 62,747,531</u>	<u>8,828,351</u>	<u>71,575,882</u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2014

Total Governmental Fund Balances		\$ 29,505,920
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,982,620
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		1,389,919
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The internal service fund is used by management to account for its self-insured workers' compensation plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(164,283)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds		4,560,000	
Compensated Absences		2,541,970	
Unamortized Premiums		113,985	
Accrued interest payable		<u>17,246</u>	
Total			<u>(7,233,201)</u>

Net Position of Governmental Activities		\$ <u>47,480,975</u>
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See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 41,631,038	1,847,263	43,478,301
Tuition and fees	1,251,442	-	1,251,442
Charges for services	-	1,605,120	1,605,120
Interest	5,133	18,322	23,455
Revenue in lieu of taxes	6,969,955	304,970	7,274,925
Intergovernmental	24,759,036	3,934,352	28,693,388
Other local revenues	1,355,715	421,873	1,777,588
Total revenues	<u>75,972,319</u>	<u>8,131,900</u>	<u>84,104,219</u>
Expenditures:			
Current:			
Instruction:			
Regular	32,889,257	76,362	32,965,619
Special education	8,485,203	1,653,216	10,138,419
Other	1,732,171	-	1,732,171
Support services:			
Pupil	4,933,383	175,706	5,109,089
Instructional staff	3,864,817	85,402	3,950,219
Board of Education	47,499	-	47,499
Administration	4,863,731	194,573	5,058,304
Fiscal	1,462,256	27,626	1,489,882
Business	233,992	-	233,992
Operation and maintenance of plant	5,660,752	-	5,660,752
Pupil transportation	3,946,765	-	3,946,765
Central	683,881	-	683,881
Non-instructional services:			
Extracurricular activities	1,474,496	624,333	2,098,829
Community service	61,498	907,794	969,292
Food service	-	1,988,156	1,988,156
Capital outlay	-	1,193,794	1,193,794
Debt Service:			
Principal	-	2,250,000	2,250,000
Interest and fiscal charges	-	153,963	153,963
Bond issuance costs	-	56,652	56,652
Total expenditures	<u>70,339,701</u>	<u>9,387,577</u>	<u>79,727,278</u>
Excess of revenues over (under) expenditures	<u>5,632,618</u>	<u>(1,255,677)</u>	<u>4,376,941</u>
Other financing sources (uses):			
Transfers in	-	808,767	808,767
Transfers out	(808,767)	-	(808,767)
Sale of refunding bonds	-	3,060,000	3,060,000
Premium from sale of bonds	-	103,130	103,130
Payment for refunded bonds	-	(3,085,000)	(3,085,000)
Total other financing sources (uses):	<u>(808,767)</u>	<u>886,897</u>	<u>78,130</u>
Net change in fund balance	4,823,851	(368,780)	4,455,071
Fund balance, beginning of year	<u>17,972,715</u>	<u>7,078,134</u>	<u>25,050,849</u>
Fund balance, end of year	<u>\$ 22,796,566</u>	<u>6,709,354</u>	<u>29,505,920</u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	4,455,071
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay		1,254,802
Depreciation expense		(1,976,389)
<p>In the statement of activities, only the loss on the sale of capital assets is reported while only proceeds from the sale of assets are reported in the funds.</p>		
		(18,845)
<p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.</p>		
		(196,134)
<p>The internal service fund is used by management to account for its self-insured workers' compensation plan. The net revenue of the internal service fund is reported with governmental activities.</p>		
		(215,947)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		2,250,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>		
Compensated absences		(786,554)
Interest on long-term debt		1,511
Amortization of bond premiums		65,813
Deferred charges		(76,668)
<p>The issuance and refunding of general obligation bonds are recorded as other financing sources and uses in the governmental funds, but are reported only on the statement of net position:</p>		
Refunding bond proceeds		(3,060,000)
Refunding bond premiums		(103,130)
Payment on refunded bonds		<u>3,085,000</u>
Change in Net Position of Governmental Activities	\$	<u>4,678,530</u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Net Position

Proprietary Fund

June 30, 2014

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
Assets:	
Equity in pooled cash and investments	\$ <u>73,504</u>
Liabilities:	
Claims payable	<u>237,787</u>
Net Position:	
Unrestricted	<u>(164,283)</u>
Total net position	\$ <u><u>(164,283)</u></u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

Year Ended June 30, 2014

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
Operating expenses:	
Contract services	\$ <u>215,947</u>
Net change in net position	(215,947)
Net position, beginning of year	<u>51,664</u>
Net position, end of year	\$ <u><u>(164,283)</u></u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

Year Ended June 30, 2014

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
Cash flows from operating activities:	
Cash payments for claims	\$ <u>(175,996)</u>
Net change in cash and investments	(175,996)
Cash and investments, beginning of year	<u>249,500</u>
Cash and investments, end of year	\$ <u><u>73,504</u></u>
 <u>Reconciliation of operating loss to net cash used by operating activities:</u>	
Operating loss	\$ (215,947)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Change in liabilities:	
Increase in claims payable	<u>39,951</u>
Net cash used by operating activities	\$ <u><u>(175,996)</u></u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2014

		Private Purpose Trusts	Agency
Assets			
Equity in pooled cash and investments	\$	<u>286,489</u>	<u>251,318</u>
Total assets		<u><u>286,489</u></u>	<u><u>251,318</u></u>
Liabilities			
Due to student groups		<u>-</u>	<u>251,318</u>
Total liabilities		<u><u>-</u></u>	<u><u>251,318</u></u>
Net Position			
Held in trust	\$	<u><u>286,489</u></u>	

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Changes in Net Position

Fiduciary Funds

Year Ended June 30, 2014

	<u>Private- Purpose Trusts</u>
Additions:	
Contributions	\$ <u>68,036</u>
Total additions	<u>68,036</u>
Deductions:	
Community gifts, awards and scholarships	<u>79,175</u>
Total deductions	<u>79,175</u>
Change in net position	(11,139)
Net position, beginning of year	<u>297,628</u>
Net position, end of year	\$ <u><u>286,489</u></u>

See accompanying notes to the basic financial statements.

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FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Forest Hills Local School District (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 more significant of the School District's accounting policies are described below.

A. Reporting Entity

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:

Private Schools - Within the School District boundaries, Immaculate Heart of Mary Elementary School, Miami Valley Christian Academy, Altercrest and Little Red Schoolhouse are operated as private schools. Current State legislation provides funding to these private schools, which is received and disbursed on behalf of the private school by the Treasurer of the School District, as directed by the private school. The administration of the State monies by the School District is reflected in a nonmajor special revenue fund for financial reporting purposes.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

A. Reporting Entity – *continued*

The School District is associated with two jointly governed organizations. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association and the Great Oaks Institute of Technology and Career Development. The organizations are presented in Note 13 to the basic financial statements.

B. Basis of Presentation

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The activity of the internal service fund is eliminated to avoid doubling up on revenues and expenses. The interfund services provided and used are not eliminated in the consolidation.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented separately. Fiduciary funds are reported by fund type.

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

B. Basis of Presentation – *continued*

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total assets.

Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Fund Accounting

The School District uses funds 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. The funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

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

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

Additionally, the School District reports the following fund types:

Internal Service Fund accounts for School District's operation of its self-insured workers' compensation risk management activities.

Fiduciary Funds report on net position and changes in net position. The School District's fiduciary funds consist of private-purpose trust funds and agency funds. The School District's private-purpose trust funds account for scholarship programs for students. These assets are not available for the School District's use. Agency funds, used for student activities, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

D. Basis of Accounting

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

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded 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. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

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 except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, proprietary and fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues - Exchange and Non-exchange transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

D. Basis of Accounting – *continued*

Deferred Inflows of Resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Receivables for property taxes represent amounts that are measurable as of June 30, 2014, but are intended to finance 2015 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represents receivables that will not be collected within the available period (sixty days after fiscal year-end).

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in several bank accounts. Monies for all funds are maintained in these accounts 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 Investments" on the financial statements.

During fiscal year 2014, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2014 at fair value.

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 which accrues to itself and other funds as required by law such as Food Services and Auxiliary Services.

For purposes of the statement of cash flows and for presentation on the balance sheet, the internal service fund portion of equity in pooled cash and investments is considered to be liquid because the internal service fund portion of the pool can be accessed without prior notice or penalty.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

F. Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements but are not reported in the governmental fund financial statements. The School District defines capital assets as those with an individual cost of more than \$2,500 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	50 years
Land improvements	15 years
Building improvements	20 - 25 years
Equipment and furniture	7-20 years
Vehicles	12 -15 years

H. Interfund Balances

On the fund financials, receivables and payable resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental activities column in the statement of net position.

I. 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. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

I. Compensated Absences – *continued*

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.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

K. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

K. Fund Balance – *continued*

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts in the general fund represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance restriction has also been established based upon constraints placed upon the balance by state statutes.

M. Net Position

Net position represents the difference between assets less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, donors, grantors or laws or regulations of other governments.

Restricted net position includes an endowment from a donor which is permanently restricted and reported as nonexpendable as well as earnings on the original gift that are restricted to specific purposes and thus, reported as expendable.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

N. Estimates

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

2. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School 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 home loan mortgage corporation, and government national mortgage 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;

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

2. DEPOSITS AND INVESTMENTS – *continued*

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 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.

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" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$19,528,628 of the School District's bank balance of \$20,028,628 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

The School District's investment in STAROhio is not evidenced by securities that exist in physical or book entry form. Investments in STAR Ohio were rated AAAm by Standard & Poor's. The fair value of the School District's investment in STAROhio is \$1,583,606 at June 30, 2014.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

3. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of the prior January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market 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.

Public utility property tax revenue received in calendar year 2014 represent collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from the Hamilton County Auditor, who 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, 2014 are available to finance fiscal year 2014 operations.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2014. 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 inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2014, was \$16,870,000 in the General Fund and \$740,000 in the Debt Service Fund.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

3. PROPERTY TAXES – *continued*

The assessed values upon which fiscal year 2014 taxes were collected are:

	<u>2013 Second- Half Collections</u>		<u>2014 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,220,618,660	97.90%	1,220,346,440	97.74%
Public Utility Tangible Personal Property	<u>26,202,810</u>	2.10%	<u>28,264,190</u>	2.26%
Total Assessed Value	\$ <u><u>1,246,821,470</u></u>	100.00%	<u><u>1,248,610,630</u></u>	100.00%

Tax rate per \$1,000 of assessed valuation	\$65.55	\$65.55
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4. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2014 consisted of the following:

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
General Fund	\$ -	808,767
Other Governmental Funds	<u>808,767</u>	<u>-</u>
Total	\$ <u><u>808,767</u></u>	<u><u>808,767</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
Governmental Activities				
Nondepreciable:				
Land	\$ 1,010,802	-	-	1,010,802
Construction in progress	289,592	878,285	(784,500)	383,377
Subtotal	<u>1,300,394</u>	<u>878,285</u>	<u>(784,500)</u>	<u>1,394,179</u>
Depreciable:				
Land improvements	4,088,938	-	-	4,088,938
Buildings	30,731,692	-	-	30,731,692
Building improvements	17,452,229	647,685	-	18,099,914
Equipment and furniture	3,221,401	317,100	(214,943)	3,323,558
Vehicles	5,064,711	196,232	(142,025)	5,118,918
Subtotal	<u>60,558,971</u>	<u>1,161,017</u>	<u>(356,968)</u>	<u>61,363,020</u>
Totals at historical cost	<u>61,859,365</u>	<u>2,039,302</u>	<u>(1,141,468)</u>	<u>62,757,199</u>
Less accumulated depreciation:				
Land improvements	3,021,790	160,642	-	3,182,432
Buildings	16,887,341	604,999	-	17,492,340
Building improvements	12,214,430	706,286	-	12,920,716
Equipment and furniture	2,000,678	219,122	(196,098)	2,023,702
Vehicles	3,012,074	285,340	(142,025)	3,155,389
Total accumulated depreciation	<u>37,136,313</u>	<u>1,976,389</u>	<u>(338,123)</u>	<u>38,774,579</u>
Capital assets, net	\$ <u>24,723,052</u>	<u>62,913</u>	<u>(803,345)</u>	<u>23,982,620</u>

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

5. CAPITAL ASSETS – *continued*

Depreciation expense was charged to functions as follows:

Instruction:		
Regular	\$	1,162,724
Special education		47,576
Other		1,868
Support services:		
Pupil		4,355
Instructional staff		66,942
Administration		67,125
Fiscal		1,669
Business		775
Operation and maintenance of plant		40,624
Pupil transportation		267,213
Central		584
Community service		20,317
Extracurricular activities		186,074
Food service		<u>108,543</u>
Total depreciation expense	\$	<u>1,976,389</u>

6. 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, disability survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among the four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

6. PENSION PLANS – *continued*

For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10%. The remaining 0.90% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,739,000, \$1,724,000, and \$1,722,000, respectively; 90% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012. The unpaid portion of the contribution is recorded as a liability.

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost-sharing multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the School District. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

6. PENSION PLANS – *continued*

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

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

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

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

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

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

6. PENSION PLANS – *continued*

Plan members are required to contribute 11% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Maximum member contribution rates increase to 12% for fiscal year 2015, 13% for fiscal year 2016, and 14% for fiscal year 2017. The School District's required contributions to STRS for the years ended June 30, 2014, 2013, and 2012 were \$4,933,000, \$4,973,000, and \$5,003,000, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012. The unpaid contribution for fiscal year 2014 is recorded as a liability.

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2014, members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

7. 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).

As described above, STRS administers a pension plan that is comprised of: a defined benefit plan; a self directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's portion of contributions to STRS allocated to the health care plan for the years ended June 30, 2014, 2013, and 2012 were approximately \$352,000, \$355,000, and \$357,000, respectively; 83% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

7. POSTEMPLOYMENT BENEFITS – *continued*

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans:

Medicare B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76%. The School District's contributions for the years ended June 30, 2014, 2013 and 2012 were approximately \$94,000, \$91,000 and \$92,000 which equaled the required contributions for the year.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$17,000, \$20,000 and \$68,000, respectively.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

7. POSTEMPLOYMENT BENEFITS – *continued*

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

8. 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 self-insures its workers' compensation costs. Expenses for claims are recorded on the current basis based on an actuarially determined charge per employee. The School District accounts for the activities of this program in an internal service fund in accordance with GASB Statement No. 10.

A summary of the changes in the self-insurance workers' compensation claims liability during fiscal years 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Claims liability at July 1	\$ 197,836	97,989
Claims incurred	215,947	268,983
Claims paid	<u>(175,996)</u>	<u>(169,136)</u>
Claims liability at June 30	<u>\$ 237,787</u>	<u>197,836</u>

9. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn one to twenty-five 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 275 days for teachers and administrators and 260 days for 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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

10. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2014 was as follows:

		Principal Outstanding <u>7/1/13</u>	Additions	Reductions	Principal Outstanding <u>6/30/14</u>	Amounts Due in One Year
Governmental Activities:						
General obligation bonds	\$	6,835,000	3,060,000	(5,335,000)	4,560,000	800,000
Add issuance premium		76,668	103,130	(65,813)	113,985	-
Compensated absences		<u>2,245,330</u>	<u>1,255,382</u>	<u>(661,921)</u>	<u>2,838,791</u>	<u>474,642</u>
Total	\$	<u><u>9,156,998</u></u>	<u><u>4,418,512</u></u>	<u><u>(6,062,734)</u></u>	<u><u>7,512,776</u></u>	<u><u>1,274,642</u></u>

School Improvement Refunding Bonds Payable - On December 1, 2003, the School District issued \$11,835,000 of Series 2003 general obligation refunding bonds to refund the Series 1997 general obligation bonds. During the fiscal year, a portion of the Series 2003 was refunded as explained below. The remaining outstanding balance at June 30, 2014 was \$1,500,000 and matures on December 1, 2015.

On September 24, 2013, the School District issued \$3,060,000 of Series 2013 general obligation refunding bonds to refund \$3,085,000 of the Series 2003 bonds scheduled to mature December 1, 2016 thru 2020. The Series 2013 bonds bear interest rates of 1.7% to 4.0% and mature on December 1, 2018. The School District refunded the Series 2003 bonds to reduce its total debt service payments by \$318,287 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$297,386.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid. The School District's voted legal debt margin was \$107,814,957 with an unvoted debt margin of \$1,248,611 at June 30, 2014.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2015	\$	800,000	1,801,756	2,601,756
2016		745,000	1,911,306	2,656,306
2017		2,500,000	41,850	2,541,850
2018		300,000	14,600	314,600
2019		<u>215,000</u>	<u>4,300</u>	<u>219,300</u>
Total	\$	<u><u>4,560,000</u></u>	<u><u>3,773,812</u></u>	<u><u>8,333,812</u></u>

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

11. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund and all other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>			
Inventory	\$ 234,028	74,749	308,777
Scholarships	-	718,295	718,295
<i>Total Nonspendable</i>	<u>234,028</u>	<u>793,044</u>	<u>1,027,072</u>
<i>Restricted for</i>			
Food Service Operations	-	931,537	931,537
Athletics	-	160,027	160,027
Auxilliary Schools	-	105,421	105,421
Special Education	-	44,689	44,689
Limited English Proficiency	-	1,437	1,437
Disadvantaged Children	-	16,451	16,451
Preschool Special Education	-	1,911	1,911
Improving Teacher Quality	-	1,371	1,371
Other Purposes	250,638	116,641	367,279
Debt Service Payments	-	3,231,322	3,231,322
<i>Total Restricted</i>	<u>250,638</u>	<u>4,610,807</u>	<u>4,861,445</u>
<i>Committed to</i>			
Underground Storage Tanks	11,000	-	11,000
Capital Improvements	-	1,305,503	1,305,503
<i>Total Committed</i>	<u>11,000</u>	<u>1,305,503</u>	<u>1,316,503</u>
<i>Assigned to</i>			
Other Purposes	3,757,083	-	3,757,083
<i>Unassigned (Deficit)</i>	<u>18,543,817</u>	<u>-</u>	<u>18,543,817</u>
<i>Total Fund Balance</i>	<u>\$ 22,796,566</u>	<u>6,709,354</u>	<u>29,505,920</u>

At June 30, 2014, the Internal Service Fund had a deficit net position of \$164,283 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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

12. LEASES

The School District leased four modular classrooms and copiers for an annual cost of \$78,000 paid during fiscal year 2014. With three of the modular classroom leases completed during the fiscal year, an additional \$50,000 will be due during fiscal year 2015, with the remaining lease agreements expiring during fiscal year 2015. The lease agreements are classified as operating leases for accounting purposes.

13. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton Clermont Cooperative Association/Unified Purchasing Association

The Hamilton Clermont Cooperative Association/Unified Purchasing Association (H/CCA) 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 \$136,000 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 Institute of Technology and Career Development

The Great Oaks Institute of Technology and Career Development, 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 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 Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

14. CONTINGENCIES

Federal and State Funding

The School District received financial assistance from Federal and state agencies in the form of grants. The expenditures 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, the effect of such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

14. CONTINGENCIES – *continued*

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.

15. 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 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. Although no longer required by state statute, a budget stabilization reserve may still be set aside at the discretion of the School District.

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

	<u>Capital</u> <u>Improvements</u>	<u>Budget</u> <u>Stabilization</u>
Set-aside reserve balance June 30, 2013	\$ -	250,638
Current year set-aside requirement	1,265,949	-
Current year qualifying expenditures	<u>(2,689,918)</u>	<u>-</u>
Total	<u><u>(1,423,969)</u></u>	<u><u>250,638</u></u>
Balance carried forward to FY2015	\$ <u>-</u>	<u>250,638</u>
Set-aside reserve balance June 30, 2014	\$ <u>-</u>	<u>250,638</u>

The School District had qualifying disbursements during the year that reduced the set aside amount for capital and maintenance to below zero.

16. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2014, the School District had entered into various construction contracts for renovations and improvements under which it had a remaining unperformed and unpaid total commitment of approximately \$25,000 in the General Fund and \$583,000 in Other Governmental Funds.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

17. CHANGE IN ACCOUNTING PRINCIPLES

The School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses/expenditures) or inflows of resources (revenues). GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. GASB Statement No. 70 provides consistent reporting and disclosure requirements by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees.

The implementation of GASB Statements No. 66 and No. 70 did not have an effect on the financial statements of the School District. The implementation of GASB Statement No. 65 required the reclassification of deferred revenues to deferred inflows of resources and the recognition of unamortized bond issuance costs as outflows of resources (expenses).

FOREST HILLS LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund

Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 40,169,205	40,938,276	41,261,038	322,762
Tuition and fees	718,500	718,500	821,728	103,228
Interest	40,000	40,000	5,133	(34,867)
Intergovernmental	21,401,334	22,855,684	24,760,387	1,904,703
Revenue in lieu of taxes	7,291,906	7,291,906	6,969,955	(321,951)
Other local revenues	702,500	702,500	848,654	146,154
Total revenues	<u>70,323,445</u>	<u>72,546,866</u>	<u>74,666,895</u>	<u>2,120,029</u>
Expenditures:				
Current:				
Instruction:				
Regular	33,903,136	33,629,503	32,666,249	963,254
Special education	8,724,148	8,617,822	8,513,572	104,250
Other instruction	1,514,683	1,885,056	1,778,602	106,454
Support services:				
Pupil	5,021,932	5,341,008	5,017,170	323,838
Instructional staff	4,046,233	4,003,121	3,928,834	74,287
Board of Education	50,690	59,536	44,136	15,400
Administration	4,726,598	4,694,362	4,576,920	117,442
Fiscal	1,505,040	1,504,613	1,482,969	21,644
Business	225,218	241,668	237,693	3,975
Operation and maintenance of plant	6,037,723	6,113,846	5,849,937	263,909
Pupil transportation	4,249,410	4,149,491	4,037,905	111,586
Central	584,264	741,513	717,331	24,182
Non-instructional services:				
Community services	54,925	59,518	58,970	548
Extracurricular activities	1,490,967	1,523,668	1,494,526	29,142
Capital outlay	11,000	11,000	-	11,000
Total expenditures	<u>72,145,967</u>	<u>72,575,725</u>	<u>70,404,814</u>	<u>2,170,911</u>
Excess of revenues over (under) expenditures	(1,822,522)	(28,859)	4,262,081	4,290,940
Other financing sources (uses):				
Transfers out	(650,000)	(820,242)	(808,767)	11,475
Advances in	-	-	49,700	49,700
Other financing sources	90,000	327,000	375,281	48,281
Other financing uses	(3,000)	(3,000)	(1,060)	1,940
Total other financing sources (uses):	<u>(563,000)</u>	<u>(496,242)</u>	<u>(384,846)</u>	<u>111,396</u>
Net change in fund balance	(2,385,522)	(525,101)	3,877,235	4,402,336
Fund balance, beginning of year	8,127,803	8,127,803	8,127,803	
Prior year encumbrances appropriated	497,948	497,948	497,948	
Fund balance, end of year	\$ <u>6,240,229</u>	<u>8,100,650</u>	<u>12,502,986</u>	

See accompanying notes to required supplementary information.

FOREST HILLS LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information
Year Ended June 30, 2014

Note A 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) 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:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

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

Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a component of fund balance (restricted, committed, or assigned) for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

		<u>General</u>
Net change in fund balance - GAAP Basis	\$	4,823,851
Increase / (decrease):		
Due to inclusion of Uniform School Supply Fund		58,703
Due to inclusion of Adult Education Fund		(1,568)
Due to inclusion of Public School Support Fund		(3,975)
Due to revenues		(594,310)
Due to expenditures		(320,887)
Due to other sources (uses)		423,921
Due to encumbrances		<u>(508,500)</u>
Net change in fund balance - Budget Basis	\$	<u><u>3,877,235</u></u>

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	N/A	10.555	\$0	\$136,262	\$0	\$136,262
Cash Assistance:						
National School Lunch Program	3L60	10.555	421,170		421,170	
National School Breakfast Program	3L70	10.553	2,273		2,273	
Total Child Nutrition Cluster			423,443	136,262	423,443	136,262
State Administrative Expenses for Child Nutrition			1,200		1,200	
Total U.S. Department of Agriculture			424,643	136,262	424,643	136,262
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Part A Cluster:						
Grants to Local Educational Agencies (Title I)	3M00	84.010	652,131		598,827	
Total Title I, Part A Cluster			652,131		598,827	
Special Education Cluster:						
Special Education Grants to States (IDEA part B)	3M20	84.027	1,444,000		1,455,414	
IDEA Preschool Grant	3C50	84.173	29,800		28,853	
Total Special Education Cluster			1,473,800		1,484,267	
Title III - LEP English Language Acquisition	3Y70	84.365	16,518		15,225	
Title II-A - Improving Teacher Quality State Grants	3Y60	84.367	115,300		115,909	
<i>Passed through the Great Oaks Institute of Technology & Career Development:</i>						
Carl Perkins/Vocational Education	N/A	84.048	10,000		10,678	
Total U.S. Department of Education			2,267,749		2,224,906	
Totals			\$2,692,392	\$136,262	\$2,649,549	\$136,262

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

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Forest Hills Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forest Hills Local School District, Hamilton County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 9, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

January 9, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Forest Hills Local School District, Hamilton County, Ohio (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Forest Hills Local School District, Hamilton County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 9, 2015

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA 84.027 and 84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

FOREST HILL LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2015**