



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, 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, 2015, 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, each major fund, and the aggregate remaining fund information of Forest Hills Local School District, Hamilton County, Ohio, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

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, required budgetary comparison schedule* and schedules of net pension liabilities and pension contributions 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 relate 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 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 20, 2016, 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 20, 2016

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FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
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, 2015. 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 2015 are listed below:

- ✓ The liabilities and deferred inflows of resources of the School District exceeded its assets and deferred outflows of resources at year-end by \$58,442,940.
- ✓ In total, net position increased by \$10,154,480.
- ✓ The School District had \$81,327,529 in expenses related to governmental activities; only \$6,927,216 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$84,554,793, made up primarily of property taxes and State Foundation payments, provided the funding for these programs.
- ✓ The General Fund balance increased by \$2,983,871 from \$22,632,283 at June 30, 2014 to \$25,616,154 at June 30, 2015.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these 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.

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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 two categories: governmental funds 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.

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.

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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, 2015 and 2014:

	<u>Governmental Activities</u>	
	<u>FY15</u>	<u>FY14</u>
Assets:		
Current and other assets	\$ 194,264,497	71,649,386
Capital assets	<u>25,537,218</u>	<u>23,982,620</u>
Total assets	<u>219,801,715</u>	<u>95,632,006</u>
Deferred outflows of resources	<u>7,774,444</u>	<u>6,285,148</u>
Liabilities:		
Long-term liabilities:		
Net pension liability	100,571,683	119,522,310
Other long-term amounts	118,638,530	10,354,009
Other liabilities	<u>10,677,229</u>	<u>8,712,869</u>
Total liabilities	<u>229,887,442</u>	<u>138,589,188</u>
Deferred inflows of resources	<u>56,131,657</u>	<u>31,925,386</u>
Net position:		
Net investment in capital assets	24,458,668	19,308,635
Restricted	3,063,174	2,174,786
Endowment:		
Expendable	795	1,118
Nonexpendable	718,295	718,295
Unrestricted (deficit)	<u>(86,683,872)</u>	<u>(90,800,254)</u>
Total net position	<u>\$ (58,442,940)</u>	<u>(68,597,420)</u>

During 2015, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

FOREST HILLS LOCAL SCHOOL DISTRICT
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Year Ended June 30, 2015
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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

FOREST HILLS LOCAL SCHOOL DISTRICT
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Additionally, the School District restated its beginning debt balances to account for accreted interest on its outstanding capital appreciation bonds.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation and the correction to debt also had the effect of restating net position at June 30, 2014, from \$47,480,975 to a deficit balance of \$68,597,420.

A significant portion of the School District's net position (\$24,458,668) 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 (\$3,063,174) 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.

At June 30, 2015, the School District experienced an increase in its total assets of approximately \$124 million, or 130%. During the fiscal year, the School District issued \$103 million in Series 2015 general obligation school improvement bonds to finance facility improvement and new construction. As of June 30, 2015, the School District had \$100 million of bond proceeds yet to be spent, leading to the significant increase in current and other assets and increases in capital assets. Additionally, taxes receivable increased as the School District began collecting on property tax levies that will be used to repay the bonds and finance capital improvements.

Total liabilities, excluding net pension liability, increased by approximately \$110 million as well; due to the \$103 million Series 2015 bond issuance and related premiums. The decrease in net pension liability of \$19 million was due to State-legislated pension system reforms, such as phased in increases in employee contribution rates and changes in age and service requirements for retirement, that are being implemented over the next several years.

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B. Change in net position

The following table presents a condensed summary of the School District's governmental activities during fiscal years 2015 and 2014 and the resulting change in net position:

	Governmental Activities	
	FY15	FY14
Revenues:		
Program revenues:		
Charges for services and sales	\$ 3,345,936	3,258,956
Operating grants and contributions	3,575,312	3,515,091
Capital grants and contributions	5,968	26,956
Total program revenues	<u>6,927,216</u>	<u>6,801,003</u>
General revenues:		
Property taxes	49,307,521	43,409,127
Revenue in lieu of taxes	7,992,210	7,274,925
Grants and entitlements	25,694,342	25,028,089
Investment earnings	251,094	21,839
Miscellaneous	1,309,626	1,350,530
Total general revenues	<u>84,554,793</u>	<u>77,084,510</u>
Total revenues	<u>91,482,009</u>	<u>83,885,513</u>
Expenses:		
Instruction	45,799,478	46,030,442
Support services:		
Pupil and instructional staff	9,199,914	9,136,130
Board of Education, administration, fiscal, and business	6,805,622	6,978,372
Operation and maintenance of plant	6,645,086	6,486,261
Pupil transportation	3,772,677	4,053,166
Central	1,790,055	906,312
Non-instructional services	2,876,146	3,215,183
Interest and fiscal charges	2,434,551	219,959
Food services	2,004,000	2,181,158
Total expenses	<u>81,327,529</u>	<u>79,206,983</u>
Change in net position	10,154,480	4,678,530
Beginning net position	(68,597,420)	42,802,445
<i>Cumulative effect of restatements-see Note 17</i>	-	(116,078,395)
Ending net position	<u>\$ (58,442,940)</u>	<u>(68,597,420)</u>

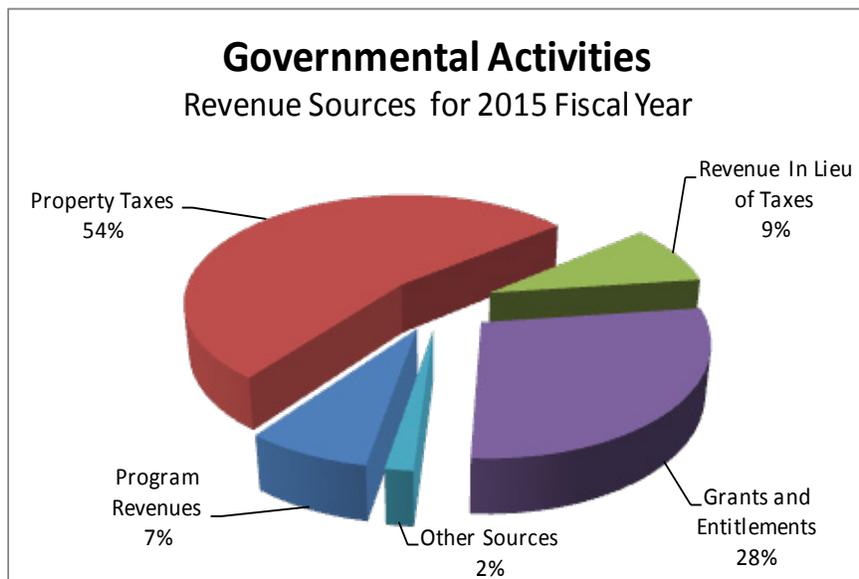
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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$6,285,148 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred outflows and inflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$4,601,537. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 81,327,529
Pension expense under GASB 68	(4,601,537)
2015 contractually required contributions	<u>6,825,401</u>
Adjusted 2015 program expenses	83,551,393
Total 2014 program expenses under GASB 27	<u>79,206,983</u>
Increase in program expenses not related to pension	<u>\$ 4,344,410</u>

Of the total governmental activities revenues of \$91,482,009, \$6,927,216 (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, \$49,307,521 (58%) comes from property tax levies and \$25,694,342 (30%) is from state funding. Thus, the School District's operations are reliant upon its property tax levy and the state's foundation program.

Total revenue increased by approximately \$7.6 million, or 9%. Property taxes accounted for approximately \$5.9 million of the increase, as previously discussed.



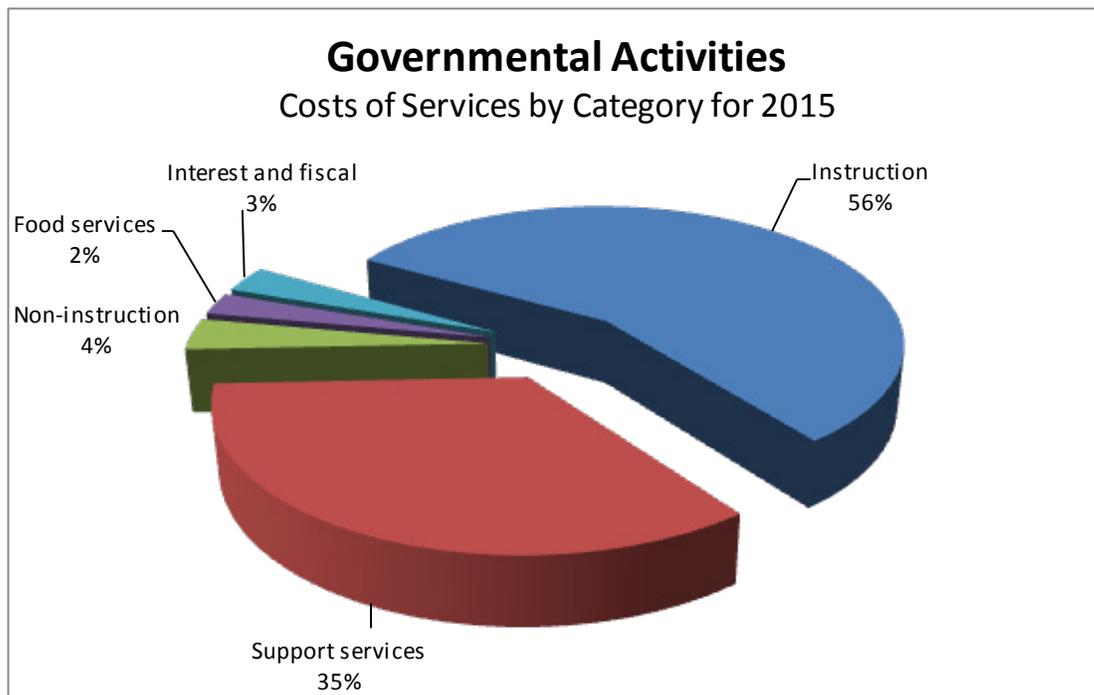
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Governmental Activities

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 \$45,799,478 but program revenue contributed to fund 6% of those costs. Thus, general revenues of \$42,838,463 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 \$10,154,480.

Governmental Activities					
		Total Cost	Program	Revenues	
		of Services	Revenue	as a % of	Net Cost
		<u> </u>	<u> </u>	Total Costs	of Services
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Instruction	\$	45,799,478	2,961,015	6%	42,838,463
Support services		28,213,354	405,344	1%	27,808,010
Non-instructional services		2,876,146	1,349,645	47%	1,526,501
Food services		2,004,000	2,211,212	110%	(207,212)
Interest and fiscal charges		<u>2,434,551</u>	<u>-</u>	0%	<u>2,434,551</u>
Total	\$	<u>81,327,529</u>	<u>6,927,216</u>	<u>9%</u>	<u>74,400,313</u>

Fiscal year 2015, total expenses increased by approximately \$4.3 million (excluding the effects of GASB 68 previously discussed) from fiscal year 2014. Interest and fiscal charges accounted for \$2.4 million, as the School District made its first interest payment on the \$103 million Series 2015 bond issuance and a \$1.6 million accreted interest payment on the Series 2003 bonds. Additionally, central support service expenses increased by approximately \$884,000 mainly due to the School District outsourcing the substitute teaching process to Hamilton County Educational Service Center for efficiency and consistency purposes.



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 two major governmental funds: the General Fund and the Building Fund. Assets of those funds comprise \$170,657,155 (88%) of the total \$194,264,497 governmental funds' assets.

General Fund. Fund balance at June 30, 2015 was \$25,616,154, including \$23,601,606 of unassigned balance, which represents 32% of expenditures for fiscal year 2015. Fund balance increased by \$2,983,871, benefiting from an increase in property taxes, as previously discussed, but is lower than the prior fiscal year's increase of \$4,823,851, due to a 4.4% increase in total expenditures. The majority of the increase in expenditures occurred in the regular instruction and support services areas, as additional staff were hired to meet the needs of students and the substitute teaching process was outsourced for efficiency purposes. In addition, the supplemental salary schedules were revised for the first time in many years for competitive reasons, which caused a larger than average increase in extracurricular activities.

General Fund revenues for the past three years have been increasing at an average of 4.0% 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):

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
Unaudited

	Actual			Average Change
	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	
<i>Total Revenues</i>	70,787,819	75,091,876	76,605,038	4.0%
<i>Total Expenditures</i>	71,849,314	70,706,142	74,430,661	1.8%
<i>Excess of Revenues over (under) Expenditures</i>	1,061,495-	4,385,734	2,174,377	-281.8%
Cash Balance July 1	9,687,247	8,625,752	13,011,486	19.9%
<i>Cash Balance June 30</i>	8,625,752	13,011,486	15,185,863	33.8%

Building Fund. The Building Fund was initiated during the fiscal year to account for the spending of the \$103 million Series 2015 school improvement bond proceeds. The Building Fund ended the fiscal year with a fund balance of \$100,756,384, as projects got started during the fiscal year.

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 2015, 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 \$1,714,534 (2.3%) lower than the final budget and \$1,887,536 (2.5%) lower than the original budget. The results are attributable to conservative budgeting and our continued cost containment efforts.

Actual General Fund revenues came in 4.5% higher than budgeted due to conservative budgeting for taxes and intergovernmental revenues, which was primarily due to greater than projected increases in state funding.

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Unaudited

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2015, the School District had \$25,537,218 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>FY15</u>	<u>FY14</u>
Land	\$	1,010,802	1,010,802
Construction in progress		2,767,259	383,377
Land improvements		1,317,060	906,506
Buildings		12,662,430	13,239,352
Buildings improvements		4,837,775	5,179,198
Furniture and equipment		1,253,173	1,299,856
Vehicles		1,688,719	1,963,529
Total	\$	<u>25,537,218</u>	<u>23,982,620</u>

Net Capital Assets increased \$1,554,598 in fiscal year 2015. Major capital assets (construction projects) completed during fiscal year 2015 included (with approximate value at June 30, 2015):

- Anderson High School - Roof Replacement \$24,720
- Turpin High School - Roof Replacement \$9,551
- Turpin High School - Window Replacement \$162,054
- Turpin High School - Gym/Structural Modifications \$45,731
- Nagel Middle School - Track Replacement \$27,733
- Mercer Elementary - Repavement (started 2012/13) \$23,189
- Sherwood Elementary - Replace carpet \$46,292
- Ayer Elementary - Replace Fire Alarm \$57,932
- Anderson High School - Replace Underground Piping \$38,421
- Turpin High School - Replacement Turf \$44,885

Major construction projects that were in progress during fiscal year 2015 included:

- Anderson High School - Stadium Lighting Replacement
- Turpin High School - Stadium Lighting Replacement
- Ayer Elementary - Roof Replacement
- Nagel Middle School - Food Service Renovations
- Anderson High School - Bond Issue – Renovations

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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.

In February 2015, the School District issued \$103,000,000 in Series 2015 school improvement bonds to finance the costs of new construction, improvements, renovations, and additions to school facilities.

At June 30, 2015, the School District had \$106,760,000 in outstanding bonds, with \$3,040,000 due within one year. The School District's overall legal debt margin was \$9,969,526 with an unvoted debt margin of \$1,296,995 at June 30, 2015.

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 current Five Year Financial Forecast (FY15-FY19) projects a deficit starting in FY19.
- The taxpayers approved a 4.45 mil (\$103m) bond issue in November 2014. The bond issue will significantly renovate eight School District buildings and replace one building.
- The taxpayers approved a .5 mil Permanent Improvement levy in November 2014. These funds will be added to interest earnings to help fund ongoing capital needs throughout the School District.
- The School District secured strong Standard & Poor's (AA) and Moody's (Aa2) ratings due to moderate overall debt, experienced financial management, stable operating reserves, strong market value per capita and income levels, and strong electorate support.
- With the costs to educate students and operate a school district increasing and with state funding levels continuing to remain flat, controlling costs remain a top priority. The School District will continue to focus on reducing operational costs to maximize the life of the recently passed operating levy. One significant example is the decision effective January 1, 2015 to self-insure the School District's health insurance program along with offering a high deductible plan for employees.

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
Unaudited

- 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.
- Commercial and residential property values have started to rebound after several challenging years.
- 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.
- 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, 2015

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 133,868,669
Receivables:	
Taxes	59,433,245
Accounts	208,853
Intergovernmental	92,321
Interest	152,721
Supplies inventory	258,050
Restricted cash and investments	250,638
Nondepreciable capital assets	3,778,061
Depreciable capital assets, net	<u>21,759,157</u>
Total assets	<u>219,801,715</u>
Deferred Outflows of Resources:	
Pension	<u>7,774,444</u>
Liabilities:	
Accounts payable	2,115,641
Accrued wages and benefits	6,723,826
Claims payable	354,511
Intergovernmental payable	1,149,196
Accrued interest payable	334,055
Noncurrent liabilities:	
Due within one year	3,661,439
Due within more than one year:	
Net pension liability	100,571,683
Other amounts due more than one year	<u>114,977,091</u>
Total liabilities	<u>229,887,442</u>
Deferred Inflows of Resources:	
Property taxes levied for next fiscal year	37,915,598
Pensions	<u>18,216,059</u>
Total deferred inflows of resources	<u>56,131,657</u>
Net Position:	
Net investment in capital assets	24,458,668
Restricted for:	
Debt service	1,338,418
Other purposes	1,724,756
Endowment:	
Expendable	795
Nonexpendable	718,295
Unrestricted (deficit)	<u>(86,683,872)</u>
Total net position	\$ <u>(58,442,940)</u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2015

	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	\$ 33,764,216	1,244,603	73,927	-	\$ (32,445,686)
Special education	10,315,826	-	1,642,485	-	(8,673,341)
Other	1,719,436	-	-	-	(1,719,436)
Support services:					
Pupil	4,901,585	-	157,776	-	(4,743,809)
Instructional staff	4,298,329	-	85,800	-	(4,212,529)
Board of Education	45,360	-	-	-	(45,360)
Administration	5,069,033	-	155,800	-	(4,913,233)
Fiscal	1,457,377	-	-	-	(1,457,377)
Business	233,852	-	-	-	(233,852)
Operation and maintenance of plant	6,645,086	-	-	5,968	(6,639,118)
Pupil transportation	3,772,677	-	-	-	(3,772,677)
Central	1,790,055	-	-	-	(1,790,055)
Non-instructional services:					
Extracurricular activities	1,834,124	450,274	-	-	(1,383,850)
Community service	1,042,022	-	899,371	-	(142,651)
Food service	2,004,000	1,651,059	560,153	-	207,212
Interest on long-term debt	2,434,551	-	-	-	(2,434,551)
Total Governmental Activities	\$ 81,327,529	3,345,936	3,575,312	5,968	(74,400,313)

General Revenues:

Property taxes, levied for general purposes	41,453,689
Property taxes, levied for debt services	7,271,334
Property taxes, levied for capital projects	582,498
Revenue in lieu of taxes	7,992,210
Grants and entitlements not restricted to specific programs	25,694,342
Investment earnings	251,094
Miscellaneous	1,309,626
Total general revenues	84,554,793
Change in net position	10,154,480
Net position beginning of year - <i>restated, see Note 17</i>	(68,597,420)
Net position end of year	\$ (58,442,940)

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2015

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$16,568,317	\$102,107,680	\$15,192,672	\$133,868,669
Restricted cash and investments	250,638	-	-	250,638
Receivables:				
Taxes	51,121,801	-	8,311,444	59,433,245
Accounts	199,452	-	9,401	208,853
Accrued interest	22,892	129,829	-	152,721
Intergovernmental	-	-	92,321	92,321
Materials and supplies inventory	256,546	-	1,504	258,050
Total assets	<u>\$68,419,646</u>	<u>\$102,237,509</u>	<u>\$23,607,342</u>	<u>\$194,264,497</u>
Liabilities:				
Accounts payable	\$ 235,954	\$ 1,416,316	\$ 463,371	\$ 2,115,641
Accrued wages and benefits	6,390,146	1,185	332,495	6,723,826
Intergovernmental payable	1,115,333	-	33,863	1,149,196
Claims payable	354,511	-	-	354,511
Compensated absences payable	459,505	-	2,890	462,395
Total liabilities	<u>8,555,449</u>	<u>1,417,501</u>	<u>832,619</u>	<u>10,805,569</u>
Deferred Inflows of Resources:				
Property taxes levied for next fiscal year	33,126,044	-	4,789,554	37,915,598
Unavailable revenue	1,121,999	63,624	234,711	1,420,334
Total deferred inflows of resources	<u>34,248,043</u>	<u>63,624</u>	<u>5,024,265</u>	<u>39,335,932</u>
Fund Balances:				
Nonspendable	256,546	-	719,799	976,345
Restricted	250,638	100,756,384	15,698,016	116,705,038
Committed	11,000	-	1,369,950	1,380,950
Assigned	1,496,364	-	-	1,496,364
Unassigned	23,601,606	-	(37,307)	23,564,299
Total fund balances	<u>25,616,154</u>	<u>100,756,384</u>	<u>17,750,458</u>	<u>144,122,996</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$68,419,646</u>	<u>\$102,237,509</u>	<u>\$23,607,342</u>	<u>\$194,264,497</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, 2015

Total Governmental Fund Balances \$ 144,122,996

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. 25,537,218

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 1,420,334

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	(106,760,000)	
Compensated Absences	(2,233,798)	
Unamortized Premiums	(7,596,987)	
Accrued interest payable	(334,055)	
Accreted interest	<u>(1,585,350)</u>	
Total		(118,510,190)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows and inflows of resources are not reported in the governmental funds:

Deferred outflows - pension	7,774,444	
Deferred inflows - pension	(18,216,059)	
Net pension liability	<u>(100,571,683)</u>	
Total		<u>(111,013,298)</u>

Net Position of Governmental Activities \$ (58,442,940)

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, 2015

	General	Building	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 41,639,662	\$ -	\$ 7,715,161	\$ 49,354,823
Tuition and fees	1,244,603	-	-	1,244,603
Charges for services	-	-	1,651,059	1,651,059
Interest	83,231	82,875	6,579	172,685
Revenue in lieu of taxes	7,675,038	-	317,172	7,992,210
Intergovernmental	25,364,397	-	3,910,196	29,274,593
Other local revenues	1,301,967	-	481,325	1,783,292
Total revenues	<u>77,308,898</u>	<u>82,875</u>	<u>14,081,492</u>	<u>91,473,265</u>
Expenditures:				
Current:				
Instruction:				
Regular	34,236,659	6,526	55,864	34,299,049
Special education	8,907,346	-	1,705,234	10,612,580
Other	1,725,693	-	4,279	1,729,972
Support services:				
Pupil	4,902,726	-	161,831	5,064,557
Instructional staff	4,223,535	-	138,377	4,361,912
Board of Education	45,655	-	-	45,655
Administration	5,018,958	57	166,272	5,185,287
Fiscal	1,436,244	-	71,490	1,507,734
Business	233,019	7,551	-	240,570
Operation and maintenance of plant	5,473,545	9,233	-	5,482,778
Pupil transportation	3,650,173	-	-	3,650,173
Central	1,818,624	-	-	1,818,624
Non-instructional services:				
Extracurricular activities	1,696,274	-	633,837	2,330,111
Community service	66,529	-	993,004	1,059,533
Food service	-	-	1,968,316	1,968,316
Capital outlay	-	2,303,124	1,341,308	3,644,432
Debt Service:				
Principal	-	-	800,000	800,000
Interest and fiscal charges	-	-	2,787,534	2,787,534
Bond issuance costs	-	-	736,574	736,574
Total expenditures	<u>73,434,980</u>	<u>2,326,491</u>	<u>11,563,920</u>	<u>87,325,391</u>
Excess of revenues over (under) expenditures	<u>3,873,918</u>	<u>(2,243,616)</u>	<u>2,517,572</u>	<u>4,147,874</u>
Other financing sources (uses):				
Transfers in	-	-	890,047	890,047
Transfers out	(890,047)	-	-	(890,047)
Sale of school improvement bonds	-	103,000,000	-	103,000,000
Premium from sale of bonds	-	-	7,633,485	7,633,485
Total other financing sources (uses):	<u>(890,047)</u>	<u>103,000,000</u>	<u>8,523,532</u>	<u>110,633,485</u>
Net change in fund balance	2,983,871	100,756,384	11,041,104	114,781,359
Fund balance, beginning of year, <i>restated</i>	<u>22,632,283</u>	<u>-</u>	<u>6,709,354</u>	<u>29,341,637</u>
Fund balance, end of year	<u>\$ 25,616,154</u>	<u>\$ 100,756,384</u>	<u>\$ 17,750,458</u>	<u>\$ 144,122,996</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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$ 114,781,359
Amounts reported for governmental activities in the statement of activities are different because:	
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.	
Capital asset additions	3,599,374
Depreciation expense	(2,030,873)
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.	(13,903)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.	30,415
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	800,000
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:	
Compensated absences	308,172
Interest on long-term debt	(316,809)
Amortization of bond premiums	150,483
Accreted interest	1,255,883
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:	
Bond proceeds	(103,000,000)
Bond premiums	(7,633,485)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	6,825,401
Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.	<u>(4,601,537)</u>
Change in Net Position of Governmental Activities	\$ <u><u>10,154,480</u></u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2015

		Private Purpose Trusts	Agency
Assets			
Equity in pooled cash and investments	\$	<u>263,770</u>	<u>236,852</u>
Total assets		<u><u>263,770</u></u>	<u><u>236,852</u></u>
Liabilities			
Due to student groups		<u>-</u>	<u>236,852</u>
Total liabilities		<u><u>-</u></u>	<u><u>236,852</u></u>
Net Position			
Held in trust	\$	<u><u>263,770</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, 2015

		<u>Private- Purpose Trusts</u>
Additions:		
Contributions	\$	<u>33,281</u>
Total additions		<u>33,281</u>
Deductions:		
Community gifts, awards and scholarships		<u>56,000</u>
Total deductions		<u>56,000</u>
Change in net position		(22,719)
Net position, beginning of year		<u>286,489</u>
Net position, end of year	\$	<u><u>263,770</u></u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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 Rainbow Child Care Center 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, 2015

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 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. 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, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued***

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 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, liabilities, and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Building Fund – The Building Fund is a capital project fund used to account for the capital expenditures of the Series 2015 general obligation school improvement bonds.

Additionally, the School District reports the following fund type:

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, 2015

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, 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, 2015

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, unavailable revenue and pension. Receivables for property taxes represent amounts that are measurable as of June 30, 2015, but are intended to finance 2016 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). Deferred inflows of resources from pension are reported on the government-wide statement of net position (see Note 6).

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension (see Note 6).

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 2015, the School District's investments were comprised of State Treasury Assets Reserve of Ohio (STAR Ohio), money markets, negotiable certificates of deposit, commercial paper, and U.S. agency securities. 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, 2015.

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, 2015 at fair value.

The Building Fund, Food Service Fund, Auxiliary Fund and Special Trust Fund accrue investment earnings. The Bond Retirement Fund investment earnings accrues to the General Fund and all other investment earnings accrue to the Permanent Improvement Fund.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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 five 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. There were no outstanding interfund loans as of June 30, 2015.

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, 2015

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. 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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

L. Fund Balances – *continued*

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.

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.

M. 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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

N. Net Position

Net position represents the balance between assets and deferred outflows of resources, reduced by 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.

O. 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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2. DEPOSITS AND INVESTMENTS – *continued*

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;
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":

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2. DEPOSITS AND INVESTMENTS – *continued*

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, \$20,212,088 of the School District's bank balance of \$20,712,088 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 investments at June 30, 2015 are summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity (Years)</u>	<u>Concentration of Credit Risk</u>
STAR Ohio	\$ 383,608	n/a	0.33%
U.S. Money Market Funds	3,826,454	n/a	3.33%
Negotiable CDs	7,857,583	1.33	6.83%
Commerical Paper	13,386,892	0.31	11.63%
FHLB	33,949,465	1.37	29.51%
FNMA	11,060,884	1.62	9.61%
FHLMC	21,158,703	2.24	18.39%
FFCB	23,438,128	1.43	20.37%
	<u>\$ 115,061,717</u>		<u>100.00%</u>

Credit Risk

It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investments the U.S. Government Agency securities were rated AA+ by Standard & Poor's and Aaa by Moody's. The commercial paper securities were rated A1+ by Standard & Poor's and P-1 by Moody's. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a counter party, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment securities are registered in the name of the School District.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

2. DEPOSITS AND INVESTMENTS – *continued*

Concentration of Credit Risk

The School District's policy places no limit on the amount it may invest in any one issuer.

Interest Rate Risk

In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

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 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of the prior January 1, 2014, 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 2015 represent collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 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, 2015 are available to finance fiscal year 2015 operations.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

3. PROPERTY TAXES – *continued*

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2015. 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, 2015, was \$16,890,000 in the General Fund, \$3,080,000 in the Debt Service Fund, and \$250,000 in the Permanent Improvement Fund.

The assessed values upon which fiscal year 2015 taxes were collected are:

	<u>2014 Second- Half Collections</u>		<u>2015 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,220,346,440	97.74%	1,266,937,920	97.68%
Public Utility Tangible Personal Property	<u>28,264,190</u>	2.26%	<u>30,056,810</u>	2.32%
Total Assessed Value	\$ <u><u>1,248,610,630</u></u>	100.00%	<u><u>1,296,994,730</u></u>	100.00%
 Tax rate per \$1,000 of assessed valuation		 \$65.55		 \$70.50

4. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2015 consisted of the following:

		<u>Transfers</u>	
		<u>In</u>	<u>Out</u>
General Fund	\$	-	890,047
Other Governmental Funds		<u>890,047</u>	<u>-</u>
Total	\$	<u><u>890,047</u></u>	<u><u>890,047</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, 2015

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance 7/1/14	Additions	Disposals	Balance 6/30/15
Governmental Activities				
Nondepreciable:				
Land	\$ 1,010,802	-	-	1,010,802
Construction in progress	383,377	3,038,736	(654,854)	2,767,259
Subtotal	<u>1,394,179</u>	<u>3,038,736</u>	<u>(654,854)</u>	<u>3,778,061</u>
Depreciable:				
Land improvements	4,088,938	643,808	-	4,732,746
Buildings	30,731,692	-	-	30,731,692
Building improvements	18,099,914	384,702	-	18,484,616
Equipment and furniture	3,323,558	186,982	(130,852)	3,379,688
Vehicles	5,118,918	-	-	5,118,918
Subtotal	<u>61,363,020</u>	<u>1,215,492</u>	<u>(130,852)</u>	<u>62,447,660</u>
Totals at historical cost	<u>62,757,199</u>	<u>4,254,228</u>	<u>(785,706)</u>	<u>66,225,721</u>
Less accumulated depreciation:				
Land improvements	3,182,432	233,254	-	3,415,686
Buildings	17,492,340	576,922	-	18,069,262
Building improvements	12,920,716	726,125	-	13,646,841
Equipment and furniture	2,023,702	219,762	(116,949)	2,126,515
Vehicles	3,155,389	274,810	-	3,430,199
Total accumulated depreciation	<u>38,774,579</u>	<u>2,030,873</u>	<u>(116,949)</u>	<u>40,688,503</u>
Capital assets, net	\$ <u>23,982,620</u>	<u>2,223,355</u>	<u>(668,757)</u>	<u>25,537,218</u>

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

5. CAPITAL ASSETS – *continued*

Depreciation expense was charged to functions as follows:

Instruction:		
Regular	\$	1,158,858
Special education		45,183
Other		1,696
Support services:		
Pupil		4,187
Instructional staff		65,337
Administration		66,383
Fiscal		1,669
Business		775
Operation and maintenance of plant		39,382
Pupil transportation		256,719
Community service		20,905
Extracurricular activities		262,032
Food service		<u>107,747</u>
Total depreciation expense	\$	<u>2,030,873</u>

6. PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6. PENSION PLANS – *continued*

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for contractually-required contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6. PENSION PLANS – *continued*

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – 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 by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18%. The remaining 0.82% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$1,693,506 for fiscal year 2015. Of this amount, \$306,595 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6. PENSION PLANS – *continued*

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$5,131,895 for fiscal year 2015. Of this amount, \$842,601 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6. PENSION PLANS – *continued*

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$17,183,572	\$83,388,111	\$100,571,683
Proportion of the Net Pension Liability	0.339533%	0.34282996%	
Pension Expense	\$956,205	\$3,645,332	\$4,601,537

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 146,251	\$ 802,792	\$ 949,043
School District's contributions subsequent to the measurement date	<u>1,693,506</u>	<u>5,131,895</u>	<u>6,825,401</u>
Total Deferred Outflows of Resources	<u>\$ 1,839,757</u>	<u>\$ 5,934,687</u>	<u>\$ 7,774,444</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	<u>\$ 2,788,942</u>	<u>\$ 15,427,117</u>	<u>\$ 18,216,059</u>
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\$6,825,401 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	\$ (660,304)	\$ (3,656,083)	\$ (4,316,387)
2017	(660,304)	(3,656,083)	(4,316,387)
2018	(660,304)	(3,656,083)	(4,316,387)
2019	<u>(661,779)</u>	<u>(3,656,076)</u>	<u>(4,317,855)</u>
	<u>\$ (2,642,691)</u>	<u>\$ (14,624,325)</u>	<u>\$ (17,267,016)</u>

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6. PENSION PLANS – *continued*

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25%
Future Salary Increases, including Inflation	4.00% to 22.00%
COLA or Ad Hoc COLA	3%
Investment Rate of Return	7.75% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6. PENSION PLANS – continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
U.S. Stocks	22.50	5.00
Non-U.S. Stock	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Estate	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate – Total pension liability was calculated using the discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75%). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75%, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%), or one percentage point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$24,515,851	\$17,183,572	\$11,016,491

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases	2.75% at age 70 to 12.25% at age 20
Investment Rate of Return	7.75% net of investment expenses
COLA	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA paid on fifth anniversary of retirement date.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6. PENSION PLANS – *continued*

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.75% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

6. PENSION PLANS – *continued*

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
	<hr/>	<hr/>	<hr/>
School District's proportionate share of the net pension liability	\$119,379,172	\$83,388,111	\$52,951,784

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, 2015, one of the members of the Board of Education has elected social security. The Board's liability is 6.2% of wages paid.

7. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the School District's surcharge obligation was \$173,734.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

7. POSTEMPLOYMENT BENEFITS – *continued*

The School District's contributions for health care for the fiscal years June 30, 2015, 2014, and 2013 were \$99,000, \$17,000 and \$20,000, respectively. For fiscal year 2015, 82% has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

State Teachers Retirement System

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$352,000, and \$355,000, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

8. RISK MANAGEMENT – *continued*

A summary of the changes in the self-insurance workers' compensation claims liability during fiscal years 2015 and 2014 are as follows:

		<u>2015</u>	<u>2014</u>
Claims liability at July 1	\$	237,787	197,836
Claims incurred		275,438	215,947
Claims paid		<u>(158,714)</u>	<u>(175,996)</u>
Claims liability at June 30	\$	<u>354,511</u>	<u>237,787</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. The Treasurer can earn up to thirty days. 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.

10. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<i>Restated</i> Principal Outstanding 7/1/14	Additions	Reductions	Principal Outstanding 6/30/15	Amounts Due in One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 4,560,000	\$ 103,000,000	\$ (800,000)	\$ 106,760,000	\$ 3,040,000
Add issuance premium	113,985	7,633,485	(150,483)	7,596,987	-
Accreted interest	2,841,233	339,117	(1,595,000)	1,585,350	-
Compensated absences	2,838,791	332,044	(474,642)	2,696,193	621,439
Net pension liability:					
STRS	99,331,372	-	(15,943,261)	83,388,111	-
SERS	20,190,938	-	(3,007,366)	17,183,572	-
Total	<u>\$ 129,876,319</u>	<u>\$ 111,304,646</u>	<u>\$ (21,970,752)</u>	<u>\$ 219,210,213</u>	<u>\$ 3,661,439</u>

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

10. LONG-TERM OBLIGATIONS – *continued*

General Obligation Bonds

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. A portion of the Series 2003 was refunded as explained below. The remaining outstanding balance at June 30, 2015 was \$720,000 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.

On February 5, 2015, the School District issued \$103,000,000 of Series 2015 general obligation school improvement bonds to finance the costs of new construction, improvements, renovations, and additions to school facilities. The Series 2015 bond bear interest rates of 1.5% to 5.0% and mature on December 1, 2046.

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 \$116,729,526 with an unvoted debt margin of \$1,296,995 at June 30, 2015.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 3,040,000	\$ 5,833,418	\$ 8,873,418
2017	4,000,000	3,926,012	7,926,012
2018	1,830,000	3,868,462	5,698,462
2019	2,120,000	3,828,575	5,948,575
2020	1,940,000	3,795,438	5,735,438
2021-2025	10,945,000	18,174,190	29,119,190
2026-2030	13,330,000	15,835,940	29,165,940
2031-2035	16,155,000	12,981,149	29,136,149
2036-2040	19,220,000	9,869,857	29,089,857
2041-2045	23,235,000	5,655,025	28,890,025
2046-2047	10,945,000	553,875	11,498,875
Total	<u>\$ 106,760,000</u>	<u>\$ 84,321,941</u>	<u>\$ 191,081,941</u>

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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 major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Building	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Inventory	\$ 256,546	-	1,504	258,050
Scholarships	-	-	718,295	718,295
<i>Total Nonspendable</i>	256,546	-	719,799	976,345
<i>Restricted for</i>				
Food Service Operations	-	-	1,128,508	1,128,508
Athletics	-	-	184,331	184,331
Auxilliary Schools	-	-	14,147	14,147
State Grant Programs	-	-	16,200	16,200
Federal Grant Programs	-	-	21,532	21,532
Other Purposes	250,638	-	65,870	316,508
Debt Service Payments	-	-	14,267,428	14,267,428
Capital Improvements	-	100,756,384	-	100,756,384
<i>Total Restricted</i>	250,638	100,756,384	15,698,016	116,705,038
<i>Committed to</i>				
Underground Storage Tanks	11,000	-	-	11,000
Capital Improvements	-	-	1,369,950	1,369,950
<i>Total Committed</i>	11,000	-	1,369,950	1,380,950
<i>Assigned to</i>				
Budget Resource	720,222	-	-	720,222
Encumbrances	517,703	-	-	517,703
Other Purposes	258,439	-	-	258,439
<i>Total Assigned</i>	1,496,364	-	-	1,496,364
<i>Unassigned (Deficit)</i>	23,601,606	-	(37,307)	23,564,299
<i>Total Fund Balance</i>	\$ 25,616,154	100,756,384	17,750,458	144,122,996

At June 30, 2015, the IDEA Part B Special Education Fund had a deficit fund balance of \$37,307 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, 2015

12. OPERATING LEASES

The School District leases various equipment and modular classrooms under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled \$80,693 for the year ended June 30, 2015. The future minimum lease payments under the leases as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 48,612
2017	38,745
2018	37,020
2019	32,340
2020	32,340
2021	<u>16,170</u>
	<u>\$ 205,227</u>

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 \$137,000 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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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, 2015, if applicable, cannot be determined at this time.

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, 2014	\$ -	250,638
Current year set-aside requirement	1,230,801	-
Current year qualifying expenditures	<u>(2,359,144)</u>	<u>-</u>
Total	<u>(1,128,343)</u>	<u>250,638</u>
Balance carried forward to FY2016	\$ <u>-</u>	<u>250,638</u>
Set-aside reserve balance June 30, 2015	\$ <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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

16. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2015, 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 \$162,000 in the General Fund, \$7,348,000 in the Building Fund, and \$453,000 in Other Governmental Funds.

17. CHANGE IN ACCOUNTING PRINCIPLES AND RECLASSIFICATION

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Additionally, the School District made adjustments to report accreted interest on its outstanding capital appreciation bonds.

The implementation of these pronouncements and adjustments for accreted interest had the following effect on net position as reported at June 30, 2014:

	<u>Governmental Activities</u>
Net Position at June 30, 2014	\$ 47,480,975
Adjustments:	
Net pension liability	(119,522,310)
Deferred outflow - payments subsequent to measurement date	6,285,148
Accreted interest on capital appreciation bonds	<u>(2,841,233)</u>
Restated Net Position at June 30, 2014	<u>\$ (68,597,420)</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Additionally, the School District reclassified its self insurance workers' compensation activity from an internal service fund to the General Fund. The reclassification had the following effect on fund balance and net position as reported at June 30, 2014:

	<u>General Fund</u>	<u>Internal Service Fund</u>
Fund Balance/Net Position at June 30, 2014	\$ 22,796,566	\$ (164,283)
Fund reclassification	<u>(164,283)</u>	<u>164,283</u>
Fund Balance/Net Position at June 30, 2014	<u>\$ 22,632,283</u>	<u>\$ -</u>

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, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	40,334,453	40,334,453	41,619,662	1,285,209
Tuition and fees	1,105,500	719,500	803,075	83,575
Interest	40,000	40,000	68,221	28,221
Intergovernmental	24,124,519	24,124,519	25,432,961	1,308,442
Revenue in lieu of taxes	7,160,905	7,160,905	7,675,038	514,133
Other local revenues	354,000	740,000	845,233	105,233
Total revenues	<u>73,119,377</u>	<u>73,119,377</u>	<u>76,444,190</u>	<u>3,324,813</u>
Expenditures:				
Current:				
Instruction:				
Regular	34,916,735	34,123,999	33,702,055	421,944
Special education	8,950,005	9,072,287	8,875,204	197,083
Other instruction	1,956,640	1,822,987	1,786,208	36,779
Support services:				
Pupil	5,078,163	4,992,225	4,902,072	90,153
Instructional staff	4,571,005	4,453,641	4,281,899	171,742
Board of Education	60,473	62,473	47,128	15,345
Administration	4,919,470	5,022,156	4,826,877	195,279
Fiscal	1,466,460	1,506,956	1,485,491	21,465
Business	243,672	244,413	239,762	4,651
Operation and maintenance of plant	5,863,767	5,890,090	5,706,362	183,728
Pupil transportation	4,110,694	4,110,694	3,843,136	267,558
Central	1,336,035	1,678,117	1,570,318	107,799
Non-instructional services:				
Community services	60,515	65,115	65,001	114
Extracurricular activities	1,391,935	1,707,414	1,706,520	894
Total expenditures	<u>74,925,569</u>	<u>74,752,567</u>	<u>73,038,033</u>	<u>1,714,534</u>
Excess of revenues over (under) expenditures	(1,806,192)	(1,633,190)	3,406,157	5,039,347
Other financing sources (uses):				
Transfers out	(880,000)	(1,053,000)	(1,050,047)	2,953
Other financing sources	200,000	200,000	153,424	(46,576)
Other financing uses	(3,000)	(3,000)	(1,105)	1,895
Sale of assets	2,000	2,000	7,424	5,424
Total other financing sources (uses):	<u>(681,000)</u>	<u>(854,000)</u>	<u>(890,304)</u>	<u>(36,304)</u>
Net change in fund balance	(2,487,192)	(2,487,190)	2,515,853	\$ 5,003,043
Fund balance, beginning of year	12,502,986	12,502,986	12,502,986	
Prior year encumbrances appropriated	508,500	508,500	508,500	
Fund balance, end of year	<u>\$ 10,524,294</u>	<u>\$ 10,524,296</u>	<u>\$ 15,527,339</u>	

See accompanying notes to required supplementary information.

FOREST HILLS LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information
 Year Ended June 30, 2015

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:

Net change in fund balance - GAAP Basis	\$	<u>General</u> 2,983,871
Increase / (decrease):		
Due to inclusion of Uniform School Supply Fund		7,098
Due to inclusion of Adult Education Fund		(1,400)
Due to inclusion of Public School Support Fund		(5,529)
Due to inclusion of Workers' Compensation Self-Insurance Fund		122,691
Due to revenues		(155,623)
Due to expenditures		63,526
Due to other sources (uses)		159,743
Due to encumbrances		<u>(658,524)</u>
Net change in fund balance - Budget Basis	\$	<u>2,515,853</u>

FOREST HILLS LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.339533%	0.339533%
School District's Proportionate Share of the Net Pension Liability	\$17,183,572	\$20,190,938
School District's Covered-Employee Payroll	\$ 9,965,823	\$ 9,874,557
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.43%	204.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

FOREST HILLS LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.34282996%	0.34282996%
School District's Proportionate Share of the Net Pension Liability	\$83,388,111	\$99,331,372
School District's Covered-Employee Payroll	\$37,722,192	\$38,348,628
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	259.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

FOREST HILLS LOCAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 1,693,506	\$1,381,263	\$1,366,639
Contributions in Relation to the Contractually Required Contributions	<u>(1,693,506)</u>	<u>(1,381,263)</u>	<u>(1,366,639)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered- Employee Payroll	\$12,849,059	\$9,965,823	\$9,874,557
Contributions as a Percentage of Covered- Employee Payroll	13.18%	13.86%	13.84%

(1) The School District elected not to present information prior to 2013. The School District will continue to present information for years available until a full ten-year trend is compiled.

FOREST HILLS LOCAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 5,131,895	\$ 4,903,885	\$ 4,985,322
Contributions in Relation to the Contractually Required Contributions	<u>(5,131,895)</u>	<u>(4,903,885)</u>	<u>(4,985,322)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered- Employee Payroll	\$36,656,393	\$37,722,192	\$38,348,628
Contributions as a Percentage of Covered- Employee Payroll	14.00%	13.00%	13.00%

(1) The School District elected not to present information prior to 2013. The School District will continue to present information for years available until a full ten-year trend is compiled.

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
YEAR ENDED JUNE 30, 2015**

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	\$118,852	\$0	\$109,829
Cash Assistance:						
School Breakfast Program	3L70	10.553	5,982	0	5,982	0
National School Lunch Program	3L60	10.555	424,599	0	424,599	0
Total U.S. Department of Agriculture - Total Child Nutrition Cluster			430,581	118,852	430,581	109,829
<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) - Basic Aide	3M00	84.010	638,000	0	636,017	0
Title I Delinquency Grant	3M00	84.010	16,801	0	16,260	0
Total Title I, Part A Cluster			654,801	0	652,277	0
Special Education Cluster:						
Special Education Grants to States (IDEA part B)	3M20	84.027	1,499,452	0	1,472,282	0
IDEA Preschool Grant	3C50	84.173	23,700	0	24,195	0
Total Special Education Cluster			1,523,152	0	1,496,477	0
Title III - LEP English Language Acquisition	3Y70	84.365	17,964	0	5,561	0
Title II-A - Improving Teacher Quality State Grants	3Y60	84.367	117,500	0	110,992	0
<i>Passed through the Great Oaks Institute of Technology & Career Development:</i>						
Carl Perkins/Vocational Education	N/A	84.048	10,000	0	6,654	0
Total U.S. Department of Education			2,323,417	0	2,271,961	0
Totals			\$2,753,998	\$118,852	\$2,702,542	\$109,829

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

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (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, 2015, 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 20, 2016, wherein we noted the District implemented Governmental Accounting Standards numbers 68 and 71.

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 "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 20, 2016



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Forest Hills Local School District's (the District) 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 each of the Forest Hills Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

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 each of the District's major federal programs 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 programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Forest Hills Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

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 over 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 20, 2016

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

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):	10.553 & 10.555- Nutrition Cluster 84.010- Title I Part A Cluster
<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 noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted.

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FOREST HILLS LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 28, 2016**