



**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To The Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

February 25, 2000

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FOREST HILLS LOCAL SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1999

	Governmental Fund Types			Capital Projects	Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service				Enterprise	Trust & Agency	Fixed Asset		General	
											Long-Term Debt	Memorandum Only
ASSETS AND OTHER DEBITS												
ASSETS:												
Equity in pooled cash and cash equivalents	\$ 10,162,686	533,863	886,174	7,773,071	837,535	289,908	0	0	0	20,483,237		
Cash and cash Equivalents with Fiscal agents	0	0	0	259,212	0	0	0	0	0	259,212		
Net receivables:												
Taxes	25,728,046	0	1,759,326	0	0	0	0	0	0	27,487,372		
Accounts	23,560	5,375	0	2,189	2,950	0	0	0	0	34,074		
Accrued interest	3	0	0	19,717	2,453	475	0	0	0	22,648		
Intergovernmental	4,650	32,237	0	0	0	0	0	0	0	36,887		
Materials and supply inventory	151,509	0	0	0	52,185	0	0	0	0	203,694		
Restricted assets:												
Equity in pooled cash and cash equivalents	602,122	0	0	0	0	0	0	0	0	602,122		
Property, plant and equipment (net of accumulated depreciation where applicable)	0	0	0	0	346,672	0	59,133,890	0	0	59,480,562		
OTHER DEBITS:												
Amount available in Debt Service Fund	0	0	0	0	0	0	0	1,582,967	0	1,582,967		
Amount to be provided for retirement of general long-term debt	0	0	0	0	0	0	0	0	26,005,197	26,005,197		
Total assets and other debits	\$ 36,672,576	571,475	2,645,500	8,054,189	1,241,795	290,383	59,133,890	27,588,164	0	136,197,972		

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

FOREST HILLS LOCAL SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 1999

	Governmental Fund Types					Proprietary Fund Type		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust & Agency	General Fixed Asset	Long-Term Debt	General				
									General	Debt			
LIABILITIES, EQUITY AND OTHER CREDITS													
LIABILITIES:													
Accounts payable	\$ 67,731	35,032	0	20,380	1,441	0	0	0	0	0	0	0	124,584
Contracts Payable	0	0	0	786,311	0	0	0	0	0	0	0	0	786,311
Retainage Payable	0	0	0	404,829	0	0	0	0	0	0	0	0	404,829
Accrued wages and benefits	3,673,795	72,503	0	6,024	68,947	0	0	0	0	0	0	0	3,821,269
Accrued interest payable	0	0	0	3,920	0	0	0	0	0	0	0	0	3,920
Due to other governments	115	0	0	112	0	0	0	0	0	0	0	0	227
Due to student groups	0	0	0	0	0	153,102	0	0	0	0	0	0	153,102
Compensated absences payable	532,816	0	0	0	36,844	0	0	0	0	0	1,929,816	0	2,499,476
Deferred revenue	15,684,339	0	1,062,533	0	34,475	0	0	0	0	0	0	0	16,781,347
Capital leases payable	0	0	0	0	0	0	0	0	0	0	127,476	0	127,476
Pension obligation payable	686,673	1,217	0	1,096	66,640	0	0	0	0	0	350,872	0	1,106,498
General obligation notes payable	0	0	0	335,000	0	0	0	0	0	0	0	0	335,000
General obligation bonds payable	0	0	0	0	0	0	0	0	0	0	25,180,000	0	25,180,000
Total liabilities	20,645,469	108,752	1,062,533	1,557,672	208,347	153,102	0	0	0	0	27,588,164	0	51,324,039
EQUITY AND OTHER CREDITS:													
Investments in general fixed assets	0	0	0	0	0	0	0	0	0	59,133,890	0	0	59,133,890
Contributed capital	0	0	0	0	217,353	0	0	0	0	0	0	0	217,353
Retained earnings: unreserved	0	0	0	0	816,095	0	0	0	0	0	0	0	816,095
Fund balances:													
Reserved for:													
Encumbrances	566,267	48,907	0	2,957,421	0	23,500	0	0	0	0	0	0	3,596,095
Budget stabilization set-aside	602,122	0	0	0	0	0	0	0	0	0	0	0	602,122
Supplies inventory	151,509	0	0	0	0	0	0	0	0	0	0	0	151,509
Property tax advances	9,975,000	0	691,500	0	0	0	0	0	0	0	0	0	10,666,500
Debt service	0	0	891,467	0	0	0	0	0	0	0	0	0	891,467
Unreserved - undesignated	4,732,209	413,816	0	3,539,096	0	113,781	0	0	0	0	0	0	8,798,902
Total equity and other credits	16,027,107	462,723	1,582,967	6,496,517	1,033,448	137,281	0	0	0	59,133,890	27,588,164	0	84,873,933
Total liabilities, equity and other credits	\$ 36,672,576	571,475	2,645,500	8,054,189	1,241,795	290,383	0	0	0	59,133,890	27,588,164	0	136,197,972

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

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FOREST HILLS LOCAL SCHOOL DISTRICT

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

For the Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$ 28,931,701	0	2,020,465	0	0	30,952,166
Tuition	78,122	0	0	0	0	78,122
Earnings on investments	84,837	3,221	0	1,650,892	6,546	1,745,496
Other local revenue	1,574,318	537,055	88,950	89,700	23,030	2,313,053
Intergovernmental - state	15,746,732	564,773	234,914	374,047	0	16,920,466
Intergovernmental - federal	4,708	584,983	0	0	0	589,691
Total revenues	46,420,418	1,690,032	2,344,329	2,114,639	29,576	52,598,994
Expenditures:						
Current						
Instruction:						
Regular	22,518,950	66,984	0	885,819	0	23,471,753
Special	3,185,176	236,230	0	0	0	3,421,406
Vocational education	93,921	0	0	0	0	93,921
Other	127,465	0	0	0	0	127,465
Support services:						
Pupil	1,771,253	80,475	0	0	0	1,851,728
Instructional staff	2,344,506	226,565	0	64,087	0	2,635,158
General administration	22,705	0	0	0	0	22,705
School administration	2,845,420	288,139	0	701	0	3,134,260
Fiscal and business	775,504	0	0	0	0	775,504
Operations and maintenance	3,680,001	0	0	47,667	0	3,727,668
Pupil transportation	2,088,783	0	0	0	0	2,088,783
Central	265,625	3,295	0	0	0	268,920
Community services	41,761	264,035	0	0	25,420	331,216
Extracurricular activities	691,842	376,833	0	0	0	1,068,675
Capital Outlay:						
Facilities acquisition and construction	0	0	0	14,487,470	0	14,487,470
Debt Service:						
Principal	30,647	0	515,000	0	0	545,647
Interest	10,031	0	1,436,348	16,011	0	1,462,390
Total expenditures	40,493,590	1,542,556	1,951,348	15,501,755	25,420	59,514,669
Excess of revenues over (under) expenditures	5,926,828	147,476	392,981	(13,387,116)	4,156	(6,915,675)
Other financing sources (uses):						
Operating transfers in	0	57,622	102,766	264,494	0	424,882
Operating transfers out	(322,116)	0	(102,766)	0	0	(424,882)
Other financing uses	(864)	(487)	0	0	0	(1,351)
Other financing sources	28,072	308	0	2,189	0	30,569
Total other financing sources (uses)	(294,908)	57,443	0	266,683	0	29,218
Excess of revenues and other sources over (under) expenditures and other (uses)	5,631,920	204,919	392,981	(13,120,433)	4,156	(6,886,457)
Fund balance, beginning of year	10,395,187	257,804	1,189,986	19,616,950	133,125	31,593,052
Fund balance, end of year	\$ 16,027,107	462,723	1,582,967	6,496,517	137,281	24,706,595

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

FOREST HILLS LOCAL SCHOOL DISTRICT

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

For the Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 226,003,474	\$26,003,474	-	-	-	-
Tuition	76,800	78,527	1,727	-	-	-
Earnings on investments	79,020	85,313	6,293	3,221	3,221	-
Extracurricular activities	41,000	40,932	(68)	452,065	416,046	(36,019)
Other local revenues	1,497,299	1,534,555	37,256	80,766	120,757	39,991
Intergovernmental - state and local	15,674,207	15,751,381	77,174	564,772	564,772	-
Intergovernmental - federal	-	4,708	4,708	608,042	608,042	-
Total revenues	43,371,800	43,498,890	127,090	1,708,866	1,712,838	3,972
Expenditures:						
Current:						
Instruction:						
Regular	22,377,822	22,292,500	85,322	158,581	71,059	87,522
Special	3,225,740	3,170,016	55,724	279,874	243,134	36,740
Vocational	103,010	102,514	496	-	-	-
Other	139,515	133,275	6,240	-	-	-
Support services:						
Pupil	1,802,440	1,777,135	25,305	97,369	90,153	7,216
Instructional staff	2,430,355	2,378,056	52,299	274,359	236,720	37,639
General administration	35,370	22,910	12,460	-	-	-
School administration	2,914,506	2,848,048	66,458	330,347	286,568	43,779
Fiscal and business	785,774	759,697	26,077	-	-	-
Operations and maintenance	3,731,569	3,676,390	55,179	-	-	-
Pupil transportation	2,597,780	2,540,972	56,808	-	-	-
Central	279,316	258,878	20,438	3,298	3,298	-
Extracurricular activities	749,201	729,255	19,946	725,402	659,844	65,558
Capital outlay	-	-	-	-	-	-
Debt Service:						
Repayment of debt	-	-	-	-	-	-
Total expenditures	41,172,398	40,689,646	482,752	1,869,230	1,590,776	278,454
Excess of revenues						
over (under) expenditures	2,199,402	2,809,244	609,842	(160,364)	122,062	282,426
Other financing sources (uses):						
Operating transfers in	-	-	-	49,942	59,189	9,247
Operating transfers (out)	(322,116)	(322,116)	-	(12,234)	(1,567)	10,667
Proceeds from sale of notes	-	-	-	-	-	-
Sale of assets	5,000	2,977	(2,023)	-	-	-
Other financing uses	(3,122)	(864)	2,258	(33,482)	(487)	32,995
Other financing sources	23,200	23,434	234	125	245	120
Total other financing sources (uses)	(297,038)	(296,569)	469	4,351	57,380	53,029
Excess of revenues and other sources						
over (under) expenditures and other (uses)	1,902,364	2,512,675	610,311	(156,013)	179,442	335,455
Fund balance, beginning of year	7,492,269	7,492,269		231,412	231,412	
Prior year encumbrances appropriated	127,746	127,746		39,398	39,398	
Fund balance, end of year	\$ 9,522,379	10,132,690		114,797	450,252	

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

	Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$	1,834,392	1,834,393	1	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	1,684,000	1,717,284	33,284	5,205	6,383	1,178
	-	-	-	-	-	-	-	-	-
	85,799	88,950	3,151	89,000	89,700	700	23,055	23,030	(25)
	234,494	234,914	420	374,047	374,047	-	-	-	-
	-	-	-	-	-	-	-	-	-
	<u>2,154,685</u>	<u>2,158,257</u>	<u>3,572</u>	<u>2,147,047</u>	<u>2,181,031</u>	<u>33,984</u>	<u>28,260</u>	<u>29,413</u>	<u>1,153</u>
	-	-	-	1,110,167	909,688	200,479	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	77,293	57,817	19,476	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	1,521	702	819	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	62,414	47,667	14,747	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	90,000	48,918	41,082
	-	-	-	20,899,458	19,117,618	1,781,840	-	-	-
	2,393,845	2,389,114	4,731	-	-	-	-	-	-
	<u>\$2,393,845</u>	<u>\$2,389,114</u>	<u>\$4,731</u>	<u>\$22,150,853</u>	<u>\$20,133,492</u>	<u>\$2,017,361</u>	<u>\$90,000</u>	<u>\$48,918</u>	<u>\$41,082</u>
	<u>(\$239,160)</u>	<u>(\$230,857)</u>	<u>\$8,303</u>	<u>(\$20,003,806)</u>	<u>(\$17,952,461)</u>	<u>(\$2,051,345)</u>	<u>(\$61,740)</u>	<u>(\$19,505)</u>	<u>\$42,235</u>
	\$104,000	\$102,766	(\$1,234)	\$161,730	\$161,728	(\$2)	-	-	-
	-	-	-	-	-	-	-	-	-
	\$335,000	\$335,000	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	<u>\$439,000</u>	<u>\$437,766</u>	<u>(\$1,234)</u>	<u>\$161,730</u>	<u>\$161,728</u>	<u>(\$2)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$199,840</u>	<u>\$206,909</u>	<u>\$7,069</u>	<u>(\$19,842,076)</u>	<u>(\$17,790,733)</u>	<u>(\$2,051,343)</u>	<u>(\$61,740)</u>	<u>(\$19,505)</u>	<u>\$42,235</u>
	\$679,265	\$679,265	-	\$8,321,722	\$8,321,722	-	\$108,511	\$108,511	-
	-	-	-	\$13,334,285	\$13,334,285	-	\$24,300	\$24,300	-
\$	<u>879,105</u>	<u>886,174</u>		<u>1,813,931</u>	<u>3,865,274</u>		<u>71,071</u>	<u>113,306</u>	

FOREST HILLS LOCAL SCHOOL DISTRICT

Combined Statement of Revenues, Expenses and Changes in Fund Equity Proprietary Fund Type

For the Year Ended June 30, 1999

	<u>Enterprise</u>
Operating revenues:	
Charges for services	\$ 1,252,322
Tuition and fees	<u>314,334</u>
Total operating revenues	1,566,656
Operating expenses:	
Personnel services	710,500
Contractual services	88,318
Materials and supplies	944,021
Depreciation	13,347
Other expenses	<u>1,691</u>
Total operating expenses	<u>1,757,877</u>
Operating loss	(191,221)
Nonoperating revenues:	
Interest income	36,082
Operating grants	141,018
Operating grants - donated commodities	80,283
Other nonoperating revenue	937
Loss on disposal of equipment	<u>(2,601)</u>
Total nonoperating revenues	<u>255,719</u>
Net income	64,498
Retained earnings at beginning of year	<u>751,597</u>
Retained earnings at end of year	<u>816,095</u>
Contributed capital at beginning of year	0
Additions to contributed capital	<u>217,353</u>
Contributed capital at end of year	<u>217,353</u>
Total fund equity at end of year	\$ <u><u>1,033,448</u></u>

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

FOREST HILLS LOCAL SCHOOL DISTRICT

Combined Statement of Cash Flows - Proprietary Fund Type

For the Year Ended June 30, 1999

	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from customers	\$ 1,567,365
Cash payments for personal services	(687,986)
Cash payments for contract services	(90,249)
Cash payments for supplies and materials	(869,264)
Cash payments for other expenses	<u>(1,691)</u>
Net cash used by operating activities	<u>(81,825)</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>163,258</u>
Net cash provided by noncapital financing activities	<u>163,258</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(37,525)</u>
Net cash used by capital and related financing activities	<u>(37,525)</u>
Cash flows from investing activities:	
Investment income	<u>33,629</u>
Net cash provided by investing activities	<u>33,629</u>
Net increase in cash	77,537
Cash, beginning of year	<u>759,998</u>
Cash, end of year	<u><u>837,535</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(191,221)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	13,347
Donated commodities used	80,283
Changes in assets and liabilities:	
Decrease in accounts receivable	130
Decrease in accounts payable	(8,418)
Increase in supplies inventory	(9,998)
Decrease in accrued wages and benefits	(1,170)
Increase in pension obligation payable	19,541
Increase in deferred revenue	11,538
Increase in compensated absences payable	<u>4,143</u>
Net cash used by operating activities	\$ <u><u>(81,825)</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Forest Hills Local School District (the "School District") was originally chartered by the Ohio State Legislature. In 1853, state laws were enacted to create a local Board of Education. Today, the School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.09 of the Ohio Revised Code. The School District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal guidelines. This Board controls the School District's instructional and support facilities staffed by approximately 270 non-certificated employees and 470 certificated teaching and administrative employees to provide services to students and other community members. The School District is the 30th largest in the state of Ohio (among 611 districts) in terms of enrollment and the 4th largest in Hamilton County. The School District currently operates 6 elementary schools, and 2 comprehensive high schools (grades 7-12).

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Forest Hills Local 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 activities are included within the reporting entity:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Types:

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

Enterprise Fund - The enterprise fund is used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types:

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

Account Groups:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, which are intended to finance fiscal year 2000 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

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

Budgetary Process

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

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Hamilton County Budget Commission for rate determination.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriate resolutions, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

Encumbrances:

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

Lapsing of Appropriations:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to STAROhio and certificates of deposit. Investments are reported at their fair value which is based on quoted market prices and changes in the fair value are reported in the operating statement. At June 30, 1999, the fair value of investments approximates cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

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

Fixed Assets and Depreciation

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

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

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

Intergovernmental Revenues

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

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements
General Fund

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- State Foundation Program
- State Property Tax Relief
- Non-Reimbursable Grants*
 - Special Revenue Funds*
 - Auxiliary Services
 - Education Management Information Systems
 - Preschool Handicap
 - Title I
 - Title VI
 - Title VI-B
 - Drug-Free Schools
 - Capital Projects Fund*
 - School Net
- Reimbursable Grants*
 - General Fund*
 - Driver Education
 - Special Revenue Funds*
 - E-Rate
 - Proprietary Funds*
 - National School Lunch Program
 - National School Breakfast Program
 - Government Donated Commodities

Grants and entitlements amounted to approximately thirty-three percent of the School District's operating revenue during the 1999 fiscal year.

Compensated Absences

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrued Liabilities and Long-Term Obligations

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

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

Interfund Transactions

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

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

Restricted Assets

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Fund Balance Reserves

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

Total Columns on General Purpose Financial Statements

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

2. ACCOUNTABILITY

At June 30, 1999, the Gifted Education, EMIS, Title I, and Drug-Free Schools special revenue funds have deficit fund balances of \$18, \$41, \$591, and \$411 respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis)-All Governmental Fund Types and Similar Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ 5,631,920	204,919	392,981	(13,120,433)	4,156
Revenue					
Accruals	(2,921,528)	22,806	(186,072)	66,392	(163)
Expenditure					
Accruals	436,060	35,392	(437,766)	(723,943)	2
Other sources	(1,661)	(63)	437,766	(104,955)	
Encumbrances	<u>(632,116)</u>	<u>(83,612)</u>	<u>-</u>	<u>(3,907,794)</u>	<u>(23,500)</u>
Budget Basis	<u>\$ 2,512,675</u>	<u>179,442</u>	<u>206,909</u>	<u>(17,790,733)</u>	<u>(19,505)</u>

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

4. DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association.

All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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

4. DEPOSITS AND INVESTMENTS (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$7,935,756 and the bank balance was \$12,658,797. Of the bank balance, \$600,000 was covered by federal depository insurance and \$12,058,797 was uninsured and uncollateralized. Although the state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Cash on Hand: At year end, the School District had \$100 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. The District's investment in STAROhio is unclassified because it is not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
STAR Ohio	\$13,408,715

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 21,344,571	-
Cash on Hand	(100)	
Investments:		
STAR Ohio	(13,408,715)	<u>13,408,715</u>
GASB Statement No. 3	\$ <u>7,935,756</u>	<u>13,408,715</u>
Cash on Hand	(100)	
	<u>\$ 7,935,856</u>	

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Hamilton County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999 are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

5. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$9,975,000 in the General Fund and \$691,500 in the Debt Service Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Public Utility and Other Real Estate	\$ 890,712,610	94.19%	\$ 891,908,340	94.53%
Tangible Personal Property	<u>54,935,190</u>	<u>5.81%</u>	<u>51,573,540</u>	<u>5.47%</u>
Total Assessed Value	<u><u>\$ 945,647,800</u></u>	<u><u>100.00%</u></u>	<u><u>\$ 943,481,880</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$ 54.07		\$ 54.07	

6. FIXED ASSETS

A summary of the proprietary funds' fixed assets at June 30, 1999, follows:

	<u>Enterprise</u>
Furniture and Equipment	\$ 766,499
Less Accumulated Depreciation	<u>(419,827)</u>
Net Fixed Assets	<u><u>\$ 346,672</u></u>

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

6. FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 7/1/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$ 1,459,527	7,500	-	1,467,027
Buildings and Improvements	24,031,786	19,896,997	103,927	43,824,856
Other Improvements	1,939,628	1,427,854	-	3,367,482
Furniture, Fixtures and Equipment	6,732,722	1,019,324	545,428	7,206,618
Vehicles	2,951,431	-	78,800	2,872,631
Construction in progress	<u>7,376,144</u>	<u>12,690,981</u>	<u>19,671,849</u>	<u>395,276</u>
Total General Fixed Assets	<u>\$44,491,238</u>	<u>35,042,656</u>	<u>20,400,004</u>	<u>58,133,890</u>

7. SIGNIFICANT CONTRACTUAL OBLIGATIONS

The School District has entered into the following contracts to be paid from the Capital Projects Funds as of June 30, 1999:

<u>Company</u>	<u>Purpose</u>	<u>Amount Remaining</u>
Apple Computer	New Middle School Equipment	\$338,721
Barrett Paving	New Middle School Construction	145,242
Capitol Aluminum & Glass	AHS Window Replacement	422,386
Capitol Aluminum & Glass	Wilson Window Replacement	159,800
Corporate Interiors	New Middle School Construction	105,810
Fred B. Debra Co.	THS HVAC Renovation	499,350
Hamilton County Commissioners	Nagel Road Improvement	345,000
Kramer & Feldman Inc.	AHS Chemistry Lab	103,470
Kramer & Feldman Inc.	Mercer Classroom Renovation	54,200
Kramer & Feldman Inc.	THS Chemistry Lab	99,412

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

7. SIGNIFICANT CONTRACTUAL OBLIGATIONS (Continued)

<u>Company</u>	<u>Purpose</u>	<u>Amount Remaining</u>
Kramer & Feldman Inc.	THS Classroom Renovation	126,463
Martin Public Seating	New Middle School Furniture	119,236
No-Com Inc.	New Middle School	149,902
R.A. Miller	New Middle School Construction	66,272
R.E. Forshee Co., Inc.	THS Roof Replacement	83,190
Telecom Industries	Telephone System	152,833
Virgo Inc.	New Middle School Furniture	145,800
Wayne Masonry	New Middle School Construction	59,339
Westside Paving	AHS Blacktop	<u>53,485</u>
		<u>\$3,229,911</u>

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.

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

9. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS's Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$790,694, \$711,303, and \$679,542 respectively; 42 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$3,240,500, \$3,109,163, and \$3,022,768 respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. The unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

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

For STRS, most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 1999, the Retirement Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$1,851,714 during the 1999 fiscal year. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and there were 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the School District, this amount equaled \$379,565 during the 1999 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

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

11. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and on-fourth days per month. Sick leave may be accumulated up to maximum of 215 days for teachers and 260 days for administrators and classified employees. Upon retirement of certified employees, payment is made for one-half of accrued, but unused sick leave, however, this amount is reduced to only twenty five percent if they do not leave when first eligible.

12. SHORT-TERM OBLIGATIONS

As of June 30, 1999, the School District had outstanding short-term obligations in the amount of \$335,000. During fiscal year 1999, the School District retired bond anticipation notes in the amount of \$420,000. The debt was paid from the Debt Service Fund, the fund that had received the proceeds.

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 7/1/98	Additions	Deductions	Principal Outstanding 6/30/99
Serial Bond 1996 6.02%	\$ 2,500,000	-	100,000	2,400,000
Serial Bond 1997 5.67%	23,195,000	-	415,000	22,780,000
Total Long-Term Bonds	25,695,000	-	515,000	25,180,000
Pension Obligation	213,856	350,872	213,856	350,872
Capital leases payable	158,123	-	30,647	127,476
Compensated Absences	1,865,003	64,813	-	1,929,816
Total General Long-Term Obligations	\$ 27,931,982	415,685	759,503	27,588,164

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

13. LONG-TERM OBLIGATIONS (Continued)

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

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

The School District's voted legal debt margin was \$61,316,336 with an unvoted debt margin of \$943,482 at June 30, 1999.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$ 570,000	1,389,165	1,959,165
2001	635,000	1,362,706	1,997,706
2002	700,000	1,332,603	2,032,603
2003	770,000	1,298,725	2,068,725
2004	845,000	1,260,704	2,105,704
2005-2009	5,535,000	5,541,778	11,076,778
2010-2014	8,530,000	3,512,946	12,042,946
2015-2019	7,195,000	795,783	7,990,783
2020-2021	400,000	25,000	425,000
Total	<u>\$25,180,000</u>	<u>16,519,410</u>	<u>41,699,410</u>

14. CAPITALIZED LEASES

The School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. Assets under capital leases totaled \$184,200 at June 30, 1999. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 1999.

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

14. CAPITALIZED LEASES (Continued)

Year Ending <u>June 30</u>		
2000	\$	44,376
2001		44,376
2002		44,376
2003		<u>11,094</u>
Minimum lease payments		144,222
Less: Amount representing interest		<u>(16,746)</u>
Present value of minimum lease payments	\$	<u><u>127,476</u></u>

15. SEGMENT INFORMATION FOR ENTERPRISE FUND

The School District maintains three enterprise funds to account for the operations of food services, uniform school supplies and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	<u>Food</u>	<u>Uniform</u>	<u>Adult</u>
	<u>Service</u>	<u>School Supplies</u>	<u>Education</u>
Operating revenues	\$ 1,252,322	259,214	55,120
Operating expenses before			
Depreciation	1,434,208	255,368	54,954
Depreciation	13,347	-	-
Operating income (loss)	(195,233)	3,846	166
Current Capital Contributions	217,353		
Donated commodities	80,283	-	-
Fixed Assets:			
Additions	251,704		
Deletions	17,129		
Operating grants	141,018	-	-
Net income (loss)	60,486	3,846	166
Net working capital	542,363	140,482	3,931
Total Assets	1,097,333	140,482	3,980

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

15. SEGMENT INFORMATION FOR ENTERPRISE FUND (Continued)

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>
	208,298	-	49
Total Liabilities			
Total Equity	889,035	140,482	3,931
Encumbrances at June 30, 1999	\$ 29,828	10,245	17

16. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton Clermont Cooperative Association/Unified Purchasing Association

The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two-county consortium of school districts. H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid \$50,588 for services provided during the fiscal year. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

The Great Oaks Joint Vocation School District

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

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

17. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

18. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

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.

19. REQUIRED SET-ASIDES

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

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

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

19. REQUIRED SET-ASIDES

Reserved Fund Balances

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of July 1, 1998	-	-	250,638	250,638
Current Year Set-aside Requirement	702,968	702,968	351,484	1,757,420
Current Year Offsets	(120,554)	(702,968)	-	(823,522)
Qualifying Disbursements	<u>(582,414)</u>	<u>-</u>	<u>-</u>	<u>(582,414)</u>
Set-aside Cash Balance as of June 30, 1999	<u>0</u>	<u>0</u>	<u>602,122</u>	<u>602,122</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts for textbooks and instructional materials and capital and maintenance to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements for textbooks and instructional materials and capital maintenance during the year were \$1,015,727 and \$1,184,629, which exceeded the required set-aside and the reserve balance.

20. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$12,045,145 of school foundation support for its general fund.

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

20. SCHOOL FUNDING DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of February 25, 2000, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$91,802		\$80,283
National School Lunch Program		10.555	\$159,475		159,475	
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>159,475</u>	<u>91,802</u>	<u>159,475</u>	<u>80,283</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)						
	6B-SF-98	84.027	28,788		40,971	
	6B-SF-99		<u>218,496</u>		<u>195,907</u>	
			247,284		236,878	
Special Education Preschool Grants	PG-S1-97 PG-S1-98	84.173	0		3,313	
			<u>24,336</u>		<u>20,263</u>	
			24,336		23,576	
Total Special Education Cluster			<u>271,620</u>		<u>260,454</u>	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-98 C1-S1-99	84.010	18,725		23,301	
			<u>145,277</u>		<u>122,930</u>	
			164,002		146,231	
Impact Aid		84.041	4,306		4,306	
Safe and Drug-Free Schools and Communities State Grants	DR-S1-98 DR-S1-99	84.186	3,808		4,483	
			<u>40,999</u>		<u>38,725</u>	
			44,807		43,208	
Goals 2000 State and Local Education Systemic Improvement	G2-S2-99	84.276	20,000		5,059	
Eisenhower Professional Development Grant	MS-S1-97 MS-S1-98 MS-S1-99	84.281	0		1,000	
			(423)		10,976	
			21,115		20,230	
			<u>21,740</u>		<u>5,339</u>	
			42,432		37,545	
Innovative Educational Program Strategies	C2-S1-98 C2-S1-99	84.298	3,975		5,385	
			<u>32,151</u>		<u>26,380</u>	
			36,126		31,765	
<i>Passed Through The Great Oaks Institute of Technology and Career Development:</i>						
Vocational Basic Grants to States	98 99	84.048	0		2,259	
			<u>18,327</u>		<u>12,788</u>	
			18,327		15,047	
Total Department of Education			<u>601,620</u>		<u>543,615</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Health and Human Services:</i>						
School Health Grant	N/A N/A	13.991	700		2,298	
Developmental Disabilities Basic Support and Advocacy		93.630	0		66	
Total Department of Health and Human Services			<u>700</u>		<u>2,364</u>	
<i>Passed Through Telecommunication Service Provider:</i>						
Telecommunications Act Grant			10,007		0	
Total Federal Assistance			<u>\$771,802</u>	<u>\$91,802</u>	<u>\$705,454</u>	<u>\$80,283</u>

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value, less shipping and handling, of the commodities received and consumed. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

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

To The Board of Education:

We have audited the accompanying financial statements of the Forest Hills Local School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated February 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated February 25, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 25, 2000.

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

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

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

Jim Petro
Auditor of State

February 25, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
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Facsimile 513-361-8577
www.auditor.state.oh.us

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

Forest Hills Local School District
Hamilton County
6785 Forest Hills Road
Forest Hills, Ohio 45122

To The Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

Jim Petro
Auditor of State

February 25, 2000

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: Food Distribution - CFDA # 10.550 National School Lunch Program - CFDA # 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MARCH 28, 2000**