



**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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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, (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America 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, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 28, 2001

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FOREST HILLS LOCAL SCHOOL DISTRICT

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2001

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust & Agency	General Fixed Asset	General Long-Term Debt	
<u>ASSETS AND OTHER DEBITS</u>									
ASSETS:									
Equity in pooled cash and cash equivalents	\$ 12,402,858	637,123	1,226,507	3,003,889	909,352	1,050,353	-	-	19,230,082
Cash with fiscal agents	-	-	-	26,757	-	-	-	-	26,757
Net receivables:									
Taxes	26,525,290	-	1,655,490	-	-	-	-	-	28,180,780
Accounts	36,218	2,579	-	-	3,865	-	-	-	42,662
Accrued interest	3,799	24	-	16,512	1,615	31	-	-	21,981
Intergovernmental	886	-	-	-	-	-	-	-	886
Materials and supply inventory	183,300	-	-	-	70,774	-	-	-	254,074
Restricted assets:									
Equity in pooled cash and cash equivalents	250,638	-	-	-	-	-	-	-	250,638
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-	360,565	-	65,374,351	-	65,734,916
OTHER DEBITS:									
Amount available in Debt Service Fund	-	-	-	-	-	-	-	1,685,437	1,685,437
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	24,844,034	24,844,034
Total assets and other debits	\$ 39,402,989	639,726	2,881,997	3,047,158	1,346,171	1,050,384	65,374,351	26,529,471	140,272,247

Continued

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

FOREST HILLS LOCAL SCHOOL DISTRICT

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

June 30, 2001

	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	General Long-Term Debt	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$ 70,276	31,080	-	206,861	4,265	-	-	-	312,482
Retainage payable	-	-	-	26,757	-	-	-	-	26,757
Accrued wages and benefits	4,265,797	78,097	-	-	77,376	-	-	-	4,421,270
Due to other governments	6,564	3,103	-	-	-	-	-	-	9,667
Due to student groups	-	-	-	-	-	152,718	-	-	152,718
Compensated absences payable	484,097	415	-	-	38,193	-	2,099,951	-	2,622,656
Deferred revenue	18,999,810	-	1,196,560	-	47,954	-	-	-	20,244,324
Capital leases payable	-	-	-	-	-	-	89,757	-	89,757
Pension obligation payable	755,522	10,101	-	-	67,901	-	364,763	-	1,198,287
Arbitrage payable	-	-	-	135,873	-	-	-	-	135,873
General obligation bonds payable	-	-	-	-	-	-	23,975,000	-	23,975,000
Total liabilities	<u>24,582,066</u>	<u>122,796</u>	<u>1,196,560</u>	<u>369,491</u>	<u>235,689</u>	<u>152,718</u>	<u>-</u>	<u>26,529,471</u>	<u>53,188,791</u>
EQUITY AND OTHER CREDITS:									
Investments in general fixed assets	-	-	-	-	-	-	65,374,351	-	65,374,351
Contributed capital	-	-	-	-	217,353	-	-	-	217,353
Retained earnings: unreserved	-	-	-	-	893,129	-	-	-	893,129
Fund balances:									
Reserved for:									
Encumbrances	165,830	113,606	-	940,136	-	31,550	-	-	1,251,122
Endowment	-	-	-	-	-	689,574	-	-	689,574
Budget stabilization set-aside	250,638	-	-	-	-	-	-	-	250,638
Supplies inventory	183,300	-	-	-	-	-	-	-	183,300
Property tax advances	7,525,480	-	458,930	-	-	-	-	-	7,984,410
Debt service	-	-	1,226,507	-	-	-	-	-	1,226,507
Unreserved:									
Designated	467,350	-	-	-	-	-	-	-	467,350
Undesignated	<u>6,228,325</u>	<u>403,324</u>	<u>-</u>	<u>1,737,531</u>	<u>-</u>	<u>176,542</u>	<u>-</u>	<u>-</u>	<u>8,545,722</u>
Total equity and other credits	<u>14,820,923</u>	<u>516,930</u>	<u>1,685,437</u>	<u>2,677,667</u>	<u>1,110,482</u>	<u>897,666</u>	<u>65,374,351</u>	<u>-</u>	<u>87,083,456</u>
Total liabilities, equity and other credits	<u>\$ 39,402,989</u>	<u>639,726</u>	<u>2,881,997</u>	<u>3,047,158</u>	<u>1,346,171</u>	<u>1,050,384</u>	<u>65,374,351</u>	<u>26,529,471</u>	<u>140,272,247</u>

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

FOREST HILLS LOCAL SCHOOL DISTRICT

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

Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$ 25,858,884	-	1,615,006	-	-	27,473,890
Tuition	100,377	-	-	-	-	100,377
Earnings on investments	118,358	8,767	-	1,289,472	8,577	1,425,174
Other local revenue	2,211,371	756,898	118,913	4,000	27,400	3,118,582
Intergovernmental - state	19,118,272	854,736	226,166	280,266	-	20,479,440
Intergovernmental - federal	9,896	691,253	-	-	-	701,149
Total revenues	<u>47,417,158</u>	<u>2,311,654</u>	<u>1,960,085</u>	<u>1,573,738</u>	<u>35,977</u>	<u>53,298,612</u>
Expenditures:						
Current:						
Instruction:						
Regular	25,299,430	123,845	-	217,961	-	25,641,236
Special	4,445,633	319,738	-	-	-	4,765,371
Vocational education	78,012	-	-	-	-	78,012
Other	110,615	-	-	-	-	110,615
Support services:						
Pupil	1,986,221	95,905	-	-	-	2,082,126
Instructional staff	3,027,898	358,472	-	-	-	3,386,370
General administration	25,306	-	-	-	-	25,306
School administration	3,272,164	418,190	-	375	-	3,690,729
Fiscal and business	827,783	-	-	-	-	827,783
Operations and maintenance	4,356,877	-	-	-	-	4,356,877
Pupil transportation	2,897,185	-	-	-	-	2,897,185
Central	240,655	-	-	-	-	240,655
Community services	33,779	527,528	-	-	30,387	591,694
Extracurricular activities	906,694	434,775	-	-	-	1,341,469
Capital outlay:						
Facilities acquisition and construction	-	-	-	3,098,955	-	3,098,955
Debt Service:						
Principal	52,619	-	635,000	-	-	687,619
Interest	9,789	-	1,385,755	8,038	-	1,403,582
Total expenditures	<u>47,570,660</u>	<u>2,278,453</u>	<u>2,020,755</u>	<u>3,325,329</u>	<u>30,387</u>	<u>55,225,584</u>
Excess of revenues over (under) expenditures	(153,502)	33,201	(60,670)	(1,751,591)	5,590	(1,926,972)
Other financing sources (uses):						
Operating transfers in	-	71,901	262,058	423,786	-	757,745
Operating transfers out	(495,687)	-	(262,058)	-	-	(757,745)
Other financing uses	(1,223)	(58,269)	-	-	-	(59,492)
Other financing sources	136,661	1,520	-	33,099	-	171,280
Total other financing sources (uses)	<u>(360,249)</u>	<u>15,152</u>	<u>-</u>	<u>456,885</u>	<u>-</u>	<u>111,788</u>
Excess of revenues and other sources over (under) expenditures and other (uses)	(513,751)	48,353	(60,670)	(1,294,706)	5,590	(1,815,184)
Fund balance, beginning of year	<u>15,334,674</u>	<u>468,577</u>	<u>1,746,107</u>	<u>3,972,373</u>	<u>145,001</u>	<u>21,666,732</u>
Fund balance, end of year	\$ <u>14,820,923</u>	<u>516,930</u>	<u>1,685,437</u>	<u>2,677,667</u>	<u>150,591</u>	<u>19,851,548</u>

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

Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 27,387,246	27,387,931	685	-	-	-
Tuition	82,200	100,377	18,177	-	-	-
Earnings on investments	110,000	118,978	8,978	8,881	8,881	-
Extracurricular activities	44,200	42,592	(1,608)	559,952	553,401	(6,551)
Classroom materials and fees	55,200	55,489	289	-	-	-
Other local revenues	2,049,570	2,084,661	35,091	199,684	204,948	5,264
Intergovernmental - state and local	19,055,669	19,127,371	71,702	843,792	854,735	10,943
Intergovernmental - federal	27,950	9,896	(18,054)	694,097	694,097	-
Total revenues	48,812,035	48,927,295	115,260	2,306,406	2,316,062	9,656
Expenditures:						
Current:						
Instruction:						
Regular	25,461,566	25,225,168	236,398	169,925	130,663	39,262
Special	4,593,803	4,391,650	202,153	347,495	309,390	38,105
Vocational	80,855	73,585	7,270	-	-	-
Other	144,140	124,933	19,207	-	-	-
Support services:						
Pupil	2,014,892	1,966,212	48,680	113,657	100,226	13,431
Instructional staff	3,058,685	2,984,949	73,736	457,242	372,977	84,265
General administration	32,132	25,488	6,644	-	-	-
School administration	3,419,810	3,344,178	75,632	508,557	418,059	90,498
Fiscal and business	854,540	832,176	22,364	-	-	-
Operations and maintenance	4,572,286	4,504,146	68,140	-	-	-
Pupil transportation	2,974,076	2,923,149	50,927	-	-	-
Central	297,107	248,586	48,521	-	-	-
Community services	39,980	32,894	7,086	571,413	569,895	1,518
Extracurricular activities	923,741	900,651	23,090	497,702	444,442	53,260
Capital outlay:						
Facilities acquisition and construction	-	-	-	-	-	-
Debt Service:						
Repayment of debt	-	-	-	-	-	-
Total expenditures	48,467,613	47,577,765	889,848	2,665,991	2,345,652	320,339
Excess of revenues over (under) expenditures	344,422	1,349,530	1,005,108	(359,585)	(29,590)	329,995
Other financing sources (uses):						
Operating transfers in	-	-	-	110,383	128,064	17,681
Operating transfers (out)	(497,100)	(495,687)	1,413	(56,163)	(56,163)	-
Sale of assets	5,000	12,163	7,163	-	1,025	1,025
Other financing uses	(64,980)	(8,138)	56,842	(93,949)	(93,949)	-
Other financing sources	140,800	141,745	945	-	1,163	1,163
Total other financing sources (uses)	(416,280)	(349,917)	66,363	(39,729)	(19,860)	19,869
Excess of revenues and other sources over (under) expenditures and other (uses)	(71,858)	999,613	1,071,471	(399,314)	(49,450)	349,864
Fund balance, beginning of year	11,231,676	11,231,676		478,474	478,474	
Prior year encumbrances appropriated	179,830	179,830		60,506	60,506	
Fund balance, end of year	\$ 11,339,648	12,411,119		139,666	489,530	

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)
1,775,151	1,785,641	10,490	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,289,270	1,338,381	49,111	8,400	8,546	146
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
118,905	118,913	8	-	4,000	4,000	27,400	27,400	-
226,183	226,166	(17)	257,766	280,266	22,500	-	-	-
-	-	-	-	-	-	-	-	-
<u>2,120,239</u>	<u>2,130,720</u>	<u>10,481</u>	<u>1,547,036</u>	<u>1,622,647</u>	<u>75,611</u>	<u>35,800</u>	<u>35,946</u>	<u>146</u>
-	-	-	277,629	220,711	56,918	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	5,512	-	5,512	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	201,500	150,375	51,125	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	90,000	61,937	28,063
-	-	-	-	-	-	-	-	-
-	-	-	4,529,133	4,147,274	381,859	-	-	-
<u>2,287,765</u>	<u>2,282,813</u>	<u>4,952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,287,765	2,282,813	4,952	5,013,774	4,518,360	495,414	90,000	61,937	28,063
<u>(167,526)</u>	<u>(152,093)</u>	<u>15,433</u>	<u>(3,466,738)</u>	<u>(2,895,713)</u>	<u>571,025</u>	<u>(54,200)</u>	<u>(25,991)</u>	<u>28,209</u>
262,058	262,058	-	161,730	161,728	(2)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	33,000	33,099	99	-	-	-
-	-	-	(17,740)	(17,740)	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>262,058</u>	<u>262,058</u>	<u>-</u>	<u>176,990</u>	<u>177,087</u>	<u>97</u>	<u>-</u>	<u>-</u>	<u>-</u>
94,532	109,965	15,433	(3,289,748)	(2,718,626)	571,122	(54,200)	(25,991)	28,209
1,116,542	1,116,542	-	1,730,007	1,730,007	-	116,200	116,200	-
-	-	-	<u>2,845,810</u>	<u>2,845,810</u>	-	<u>28,800</u>	<u>28,800</u>	-
<u>1,211,074</u>	<u>1,226,507</u>	-	<u>1,286,069</u>	<u>1,857,191</u>	-	<u>90,800</u>	<u>119,009</u>	-

FOREST HILLS LOCAL SCHOOL DISTRICT

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

Year Ended June 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Nonexpendable Trust	(Memorandum Only)
Operating revenues:			
Charges for services	\$ 1,353,139	-	1,353,139
Tuition and fees	330,327	-	330,327
Interest	-	42,721	42,721
Total operating revenues	1,683,466	42,721	1,726,187
Operating expenses:			
Personnel services	714,362	-	714,362
Contractual services	84,525	-	84,525
Materials and supplies	1,037,983	-	1,037,983
Depreciation	38,376	-	38,376
Other expenses	3,488	7,189	10,677
Total operating expenses	1,878,734	7,189	1,885,923
Operating income (loss)	(195,268)	35,532	(159,736)
Nonoperating revenues:			
Interest	39,119	-	39,119
Operating grants	159,499	-	159,499
Operating grants - donated commodities	132,729	-	132,729
Total nonoperating revenues	331,347	-	331,347
Net income	136,079	35,532	171,611
Retained earnings/fund balance at beginning of year	757,050	711,543	1,468,593
Retained earnings/fund balance at end of year	893,129	747,075	1,640,204
Contributed capital at beginning of year	217,353	-	217,353
Additions to contributed capital	-	-	-
Contributed capital at end of year	217,353	-	217,353
Total fund equity at end of year	\$ 1,110,482	\$ 747,075	\$ 1,857,557

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

FOREST HILLS LOCAL SCHOOL DISTRICT

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

Year Ended June 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Trust	Nonexpendable (Memorandum Only)
Cash flows from operating activities:			
Cash received from customers	\$ 1,682,966	-	1,682,966
Cash received for interest	-	42,721	42,721
Cash payments for personal services	(771,432)	-	(771,432)
Cash payments for contract services	(81,946)	-	(81,946)
Cash payments for supplies and materials	(907,005)	-	(907,005)
Cash payments for other expenses	(3,488)	(7,189)	(10,677)
Net cash provided (used) by operating activities	(80,905)	35,532	(45,373)
Cash flows from noncapital financing activities:			
Cash received from operating grants	159,499	-	159,499
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(32,563)	-	(32,563)
Cash flows from investing activities:			
Investment income	41,273	-	41,273
Net increase in cash	87,304	35,532	122,836
Cash, beginning of year	822,048	711,543	1,533,591
Cash, end of year	909,352	747,075	1,656,427
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(195,268)	35,532	(159,736)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	38,376	-	38,376
Donated commodities used	132,729	-	132,729
Changes in assets and liabilities:			
Increase in accounts receivable	(501)	-	(501)
Increase in accounts payable	2,273	-	2,273
Increase in supplies inventory	(19,017)	-	(19,017)
Increase in accrued wages and benefits	1,039	-	1,039
Decrease in pension obligation payable	(49,913)	-	(49,913)
Increase in deferred revenue	17,573	-	17,573
Decrease in compensated absences payable	(8,196)	-	(8,196)
Net cash provided (used) by operating activities	\$ (80,905)	\$ 35,532	\$ (45,373)

Reconciliation of Nonexpendable Trust to Balance Sheet:

Cash and Cash Equivalents - All Fiduciary Funds	\$ 1,050,353
Cash and Cash Equivalents - Expendable Trust and Agency Funds	(303,278)
Cash and Cash Equivalents - Nonexpendable Trust Fund	\$ 747,075

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

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FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the General Purpose Financial Statements
Year Ended June 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Forest Hills Local School District (the "School District") was originally chartered by the Ohio State Legislature. In 1853, state laws were enacted to create a local Board of Education. Today, the School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.09 of the Ohio Revised Code. The School District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal guidelines. This Board controls the School District's instructional and support facilities to provide services to students and other community members.

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

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

The following activity is included within the reporting entity:

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

The School District is associated with three organizations, two of which are as jointly governed organizations and one is an insurance purchasing pool. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Great Oaks Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. The organizations are presented in Notes 16 and 17 to the general purpose financial statements.

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

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

Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

Account Groups:

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means that the resources will be collected 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.

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

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

The School District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2001 that are intended to finance fiscal year 2002 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

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

Budgetary Process

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

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

Tax Budget:

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations:

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

Cash and Cash Equivalents

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

During fiscal year 2001, 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, 2001, 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 2001. 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, 2001.

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

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

Inventory

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

Fixed Assets and Depreciation

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

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Interfund Transactions

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

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

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

Estimates

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

Fund Balance Reserves

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

Total Columns on General Purpose Financial Statements

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

2. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2001, the School District implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. There was no effect on fund balance as of June 30, 2000 as a result of implementing GASB 33.

3. ACCOUNTABILITY

At June 30, 2001, the following special revenue funds have deficit fund balances:

Title I	\$ 5,192
Early Childhood	3,013
Other Federal Grant	2,073

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

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

4. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that receives the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$ (513,751)	48,353	(60,670)	(1,294,706)	5,590
Revenue					
Accruals	1,510,137	4,408	170,635	48,909	(31)
Expenditure					
Accruals	235,269	80,390	(262,058)	(46,335)	-
Other sources and uses	10,332	(35,012)	262,058	(279,798)	-
Encumbrances	(242,374)	(147,589)	-	(1,146,696)	(31,550)
Budget Basis	<u>\$ 999,613</u>	<u>(49,450)</u>	<u>109,965</u>	<u>(2,718,626)</u>	<u>(25,991)</u>

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$7,434,902 and the bank balance was \$13,285,907. Of the bank balance, \$526,757 was covered by federal depository insurance and \$12,759,150 was uninsured and uncollateralized.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. The District's investment in STAROhio is unclassified because it is not evidenced by securities that exist in physical or book entry form. The fair value of the School District's investment in STAR Ohio is \$12,072,575 at June 30, 2001.

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

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 19,507,477	-
Investments:		
STAR Ohio	<u>(12,072,575)</u>	<u>12,072,575</u>
GASB Statement No. 3	<u>\$ 7,434,902</u>	<u>12,072,575</u>

6. 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, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 2001. 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, 2001, was \$7,525,480 in the General Fund and \$458,930 in the Debt Service Fund.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 991,416,700	94.69%	994,794,620	93.89%
Tangible Personal Property	55,582,480	5.31%	64,727,340	6.11%
Total Assessed Value	<u>\$ 1,046,999,180</u>	<u>100.00%</u>	<u>1,059,521,960</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 53.86		\$ 53.67	

7. FIXED ASSETS

A summary of the proprietary funds' fixed assets at June 30, 2001, follows:

	<u>Enterprise</u>
Furniture and Equipment	\$ 829,805
Less Accumulated Depreciation	<u>(469,240)</u>
Net Fixed Assets	<u>\$ 360,565</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 7/1/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$ 1,467,027	-	-	1,467,027
Buildings and Improvements	45,136,974	3,025,119	105,570	48,056,523
Other Improvements	3,476,706	119,670	-	3,596,376
Furniture, Fixtures and Equipment	8,098,982	645,366	403,587	8,340,761
Vehicles	3,568,093	394,906	100,286	3,862,713
Construction in progress	385,276	2,391,787	2,726,112	50,951
Total General Fixed Assets	\$62,133,058	6,576,848	3,335,555	65,374,351

8. RISK MANAGEMENT

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 7). The GRP is intended to reduce the School District's premium by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate, which is currently 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were approximately \$952,000, \$894,000, and \$791,000 respectively; 35% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term obligations account group.

State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS for the years ended June 30, 2001, 2000, and 1999 were approximately \$3,658,000, \$3,472,000 and \$3,241,000, respectively; 84% has been contributed for fiscal year 2001 and 100% for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2001, members of the Board of Education have elected social security. The Board's liability is 6.2% 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 System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute and are funded on a pay-as-you-go basis.

STRS has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled approximately \$2,090,000 during fiscal year 2001. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$3,419 million at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. For this fiscal year, employer contributions to fund health care benefits were 8.45% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the year ended June 30, 2000 were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS' net assets available for payment of health care benefits was \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, this amount to fund health care benefits, including the surcharge, equaled approximately \$677,000 during the 2001 fiscal year.

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 one-fourth days per month. Sick leave may be accumulated up to maximum of 215 days for teachers and 260 days for administrators and classified employees. Upon retirement of certified employees, payment is made for one-half of accrued, but unused sick leave, however, this amount is reduced to only twenty five percent if they do not leave when first eligible.

12. SHORT-TERM OBLIGATIONS

During fiscal year 2001 the School District retired bond anticipation notes in the amount of \$250,000. The debt was paid from the Debt Service Fund, which had received the proceeds.

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 7/1/00	Additions	Deductions	Principal Outstanding 6/30/01
Serial Bond 1996 6.02%	\$ 2,300,000	-	100,000	2,200,000
Serial Bond 1997 5.67%	22,310,000	-	535,000	21,775,000
Total Long-Term Bonds	24,610,000	-	635,000	23,975,000
Pension Obligation	456,502	364,763	456,502	364,763
Capital leases payable	142,376	-	52,619	89,757
Compensated Absences	2,106,130	-	6,179	2,099,951
Total General Long-Term Obligations	<u>\$ 27,315,008</u>	<u>364,763</u>	<u>1,150,300</u>	<u>26,529,471</u>

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

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

The School District's voted legal debt margin was \$71,381,976 with an unvoted debt margin of \$1,059,522 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$ 700,000	1,332,603	2,032,603
2003	770,000	1,298,725	2,068,725
2004	845,000	1,260,704	2,105,704
2005	920,000	1,218,275	2,138,275
2006	1,010,000	1,170,918	2,180,918
2007-2011	6,595,000	4,856,575	11,451,575
2012-2016	10,025,000	2,432,929	12,457,929
2017-2021	<u>3,110,000</u>	<u>196,810</u>	<u>3,306,810</u>
Total	<u>\$23,975,000</u>	<u>13,767,539</u>	<u>37,742,539</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 \$242,628 at June 30, 2001. The following is a schedule of future minimum lease payments under capital leases and the net present value of the minimum lease payments as of June 30, 2001.

Year Ending June 30		
2002	\$	58,710
2003		25,428
2004		<u>13,140</u>
Minimum lease payments		97,278
Less: Amount representing interest		<u>(7,521)</u>
Present value of minimum lease payments	\$	<u>89,757</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, 2001.

		Food <u>Service</u>	Uniform <u>School Supplies</u>	Adult <u>Education</u>
Operating revenues	\$	1,353,139	291,544	38,783
Operating expenses before depreciation		1,531,109	270,453	38,796
Depreciation		38,376	-	-
Operating income (loss)		(216,346)	21,091	(13)
Donated commodities		132,729	-	-
Operating grants		159,499	-	-
Investment earnings		39,119	-	-
Net income (loss)		115,001	21,091	(13)
Net working capital		583,951	162,027	3,939
Total assets		1,179,901	162,290	3,980
Total liabilities		235,385	263	41
Total equity		944,516	162,027	3,939
Encumbrances at June 30, 2001	\$	40,539	11,098	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 approximately \$50,000 for services provided during the fiscal year. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

The Great Oaks Joint Vocational School District

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

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, 2001.

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/ FUND BALANCE DESIGNATION

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Although no longer required by state statute, a budget stabilization reserve may still be set aside at the discretion of the School District.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2000	\$ (708,036)	-	717,988
Current year set-aside requirement	1,169,065	1,169,065	-
Reduction authorized by legislative restrictions	-	-	467,350
Less qualifying disbursements and offsets	<u>1,728,871</u>	<u>1,738,396</u>	<u>-</u>
Total	<u>(1,267,842)</u>	<u>(569,331)</u>	<u>250,638</u>
Balance carried forward to FY 2002	<u>(1,267,842)</u>	<u>-</u>	<u>250,638</u>
Reserve balance as of June 30, 2001	<u>-</u>	<u>-</u>	<u>250,638</u>

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

Senate Bill 345 eliminated the Budget Stabilization Reserve. As of June 30, 2000, the School District had \$717,988 in the Budget Stabilization Reserve. The current year reserve of \$250,638 represents Bureau of Workers' Compensation refunds received prior to April 10, 2001.

The balance designation of \$467,350 represents an amount designated by management for school bus acquisition.

20. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 2, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001 asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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 and on its financial operations.

21. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had entered into various construction contracts for renovations and improvements under which it had a remaining unperformed and unpaid total commitment of approximately \$633,000.

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FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor 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>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$150,302	\$0	\$132,729
National School Lunch Program	03-PU	10.555	156,403	-	156,403	-
Total U.S. Department of Agriculture - Nutrition Cluster			156,403	150,302	156,403	132,729
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	84.027	338,687	-	319,113	-
Special Education - Preschool Grant	PG-S1	84.173	24,434	-	27,055	-
Total Special Education Cluster			363,121	-	346,168	-
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	154,032	-	138,056	-
Drug-Free Schools Grant	DR-S1	84.186	30,545	-	31,809	-
Eisenhower Prof. Dev. State Grant	MS-S1	84.281	18,303	-	21,444	-
Innovative Education Program Grant	C2-S1	84.298	46,637	-	42,252	-
Classroom Size Reduction		84.340	61,938	-	70,712	-
<i>Passed through Great Oaks Institute of Technology and Career Development:</i>						
Vocational Education - Basic Grants to State	N/A	84.048	16,677	-	22,857	-
Total Department of Education			691,253	-	673,298	-
Total Federal Assistance			\$847,656	\$150,302	\$829,701	\$132,729

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

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

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

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STATE OF OHIO
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**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 financial statements of Forest Hills Local School District, Hamilton County as of and for the year ended June 30, 2001, and have issued our report thereon dated December 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Forest Hills Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Forest Hills Local School District
Hamilton County
Report 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 pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 28, 2001



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

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

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 each of its major federal programs for the year ended June 30, 2001. 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 each of 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 auditing standards generally accepted in the United States of America; 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 each of its major federal programs for the year ended June 30, 2001.

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.

Schedule of Federal Awards Expenditures

We have audited the general-purpose financial statements of Forest Hills Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated December 28, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 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.

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

Jim Petro
Auditor of State

December 28, 2001

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

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY
JUNE 30, 2001**

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):	Title VI-B (CFDA #84.027)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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FOREST HILLS LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2002**