



Dave Yost • Auditor of State

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Forest Hills Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Forest Hills Local School District, Hamilton County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This statement was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

November 30, 2011

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

This discussion and analysis provides key information from management highlighting the overall financial performance of the Forest Hills Local School District for the year ended June 30, 2011. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2011 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$41,411,993. Of this amount, \$17,985,601 may be used to meet the government's ongoing obligations to citizens and creditors.
- ✓ In total, net assets decreased by \$868,038.
- ✓ The School District had \$81,971,381 in expenses related to governmental activities; only \$8,158,658 of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$72,944,685, made up primarily of property taxes and State Foundation payments, provided the funding for these programs.
- ✓ The General Fund balance decreased by \$1,449,917 from \$20,073,185 at June 30, 2010 to \$18,623,268 at June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net assets at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2011 and 2010:

		Governmental Activities	
		FY11	FY10
Current and other assets	\$	67,248,283	70,157,549
Capital assets		26,535,219	28,413,508
Total assets		<u>93,783,502</u>	<u>98,571,057</u>
Long-term liabilities		13,851,121	16,272,805
Other liabilities		38,520,388	40,018,221
Total liabilities		<u>52,371,509</u>	<u>56,291,026</u>
Net assets:			
Invested in capital assets, net of debt		15,437,825	15,533,508
Restricted		7,268,390	5,281,188
Endowment:			
Expendable		1,886	10,881
Nonexpendable		718,291	718,073
Unrestricted		<u>17,985,601</u>	<u>20,736,381</u>
Total net assets	\$	<u>41,411,993</u>	<u>42,280,031</u>

A significant portion of the School District's net assets (37%) reflects its investment in capital assets. Capital assets are used to provide services to citizens and thus, these assets are not available for future spending. A portion of the School District's net assets (18%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets may be used to meet the School District's ongoing obligations to citizens and creditors.

The \$2.9 million decrease in current and other assets is primarily related to a \$1.7 million decrease in cash and investments, due to the decrease in the change in net assets; and a \$1.2 million decrease in taxes receivable, due to current economic conditions. Capital assets declined about \$1.9 million in FY11 due to current year depreciation expense exceeding current year capital asset additions.

Other liabilities decreased by approximately \$1.5 million. The majority of that decrease was attributable to unearned revenue, which is the offset of the taxes receivable decrease. Long-term liabilities declined \$2.4 million which is primarily due to scheduled bond payments.

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

B. Governmental Activities

The following table presents a condensed summary of the School District's governmental activities during fiscal year 2011 and 2010 and the resulting change in net assets:

	Governmental Activities	
	FY11	FY10
Revenues:		
Program revenues:		
Charges for services and sales	\$ 3,159,517	3,284,386
Operating grants and contributions	<u>4,999,141</u>	<u>5,389,172</u>
Total program revenues	<u>8,158,658</u>	<u>8,673,558</u>
General revenues:		
Property taxes	39,763,614	40,314,034
Revenue in lieu of taxes	6,812,051	6,849,634
Grants and entitlements	25,215,278	25,443,306
Investment earnings	34,463	58,128
Miscellaneous	<u>1,119,279</u>	<u>1,168,159</u>
Total general revenues	<u>72,944,685</u>	<u>73,833,261</u>
Total revenues	<u>81,103,343</u>	<u>82,506,819</u>
Expenses:		
Instruction	46,882,995	47,478,429
Support services:		
Pupil	3,411,888	3,556,047
Instructional staff	8,733,084	7,385,129
Board of Education	30,316	47,942
Administration	5,413,252	5,765,869
Fiscal	1,260,401	1,221,543
Business	179,174	184,552
Operation and maintenance of plant	5,691,536	5,844,378
Pupil transportation	4,082,428	4,671,038
Central	503,442	504,662
Non-instructional services	3,065,276	3,006,163
Interest and fiscal charges	475,996	551,909
Food services	<u>2,241,593</u>	<u>2,110,333</u>
Total expenses	<u>81,971,381</u>	<u>82,327,994</u>
Change in net assets	\$ <u>(868,038)</u>	<u>178,825</u>

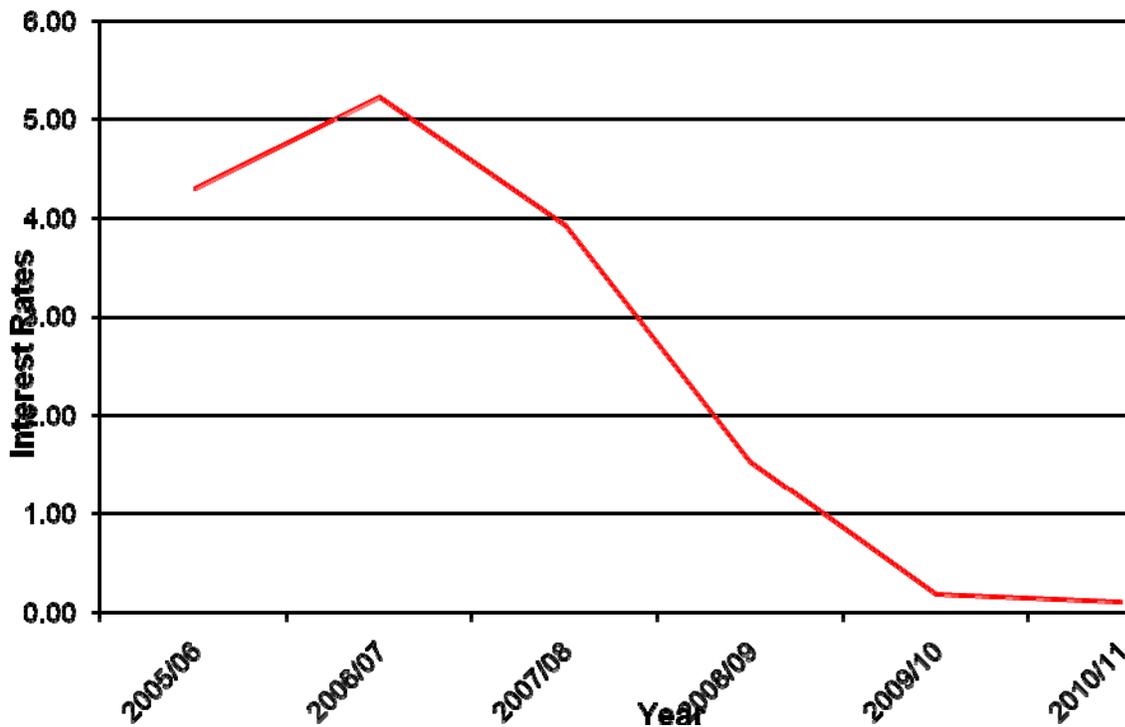
FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Unaudited

Of the total governmental activities revenues of \$81,103,343, \$8,158,658 (10%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 55% (\$39,763,614) comes from property tax levies and 35% (\$25,215,278) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

FY11 total revenue decreased \$1.4 million over FY10 due mainly to the winding down of the funding received from the American Reinvestment and Recovery Act (ARRA) and decrease in property taxes due to the continued difficult economic climate.

FY11 investment earnings continued to decrease as interest rates remained low.

Interest Rates



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FY11 total expenses decreased approximately \$357,000 over FY10. In FY11, the School District again made budget reductions for financial reasons. After 46.95 FTE were reduced in FY10, an additional 5.98 FTE were reduced in FY11.

Additional changes in expenses occurred in the following:

- Decrease in instruction expenses of \$595,000 as purchased services, supplies and equipment budgets were reduced. In addition, almost \$200,000 was reduced from health insurance expenses.
- Increase in instructional staff support services of \$1.3 million as technology services including infrastructure improvement expenses (\$800,000) and new and replacement equipment expenses (\$400,000) were increased.
- Decrease in administrative support services of \$353,000 as employee benefits (\$180,000), purchased services, including legal fees (\$50,000) and election expenses were reduced.
- Decrease in pupil transportation support services of \$589,000 as the School District did not replace any school buses (\$450,000).

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 10% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$46,882,995 but program revenue contributed to fund 3% of those costs. Thus, general revenues of \$45,256,131 were used to support of remainder of the instruction costs. The School District's Food Service operation continues to generate enough program revenue to substantially cover daily operating costs. The School District's governmental activities net assets decreased by \$868,038.

Governmental Activities					
		Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost of Services
Instruction	\$	46,882,995	1,626,864	3%	45,256,131
Support services		29,305,521	3,112,241	11%	26,193,280
Non-instructional services		3,065,276	1,197,751	39%	1,867,525
Food services		2,241,593	2,221,802	99%	19,791
Interest and fiscal charges		475,996	-	0%	475,996
Total	\$	<u>81,971,381</u>	<u>8,158,658</u>	<u>10%</u>	<u>73,812,723</u>

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S GENERAL FUND

Governmental funds

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The School District has one major governmental fund: the General Fund. Assets of this fund comprise \$57,474,350 (86%) of the total \$67,150,889 governmental funds assets.

General Fund. Fund balance at June 30, 2011 was \$18,623,268, including \$17,675,647 of unassigned balance, which represents 24% of expenditures for fiscal year 2011. Fund balance decreased by \$1.5 million as the main sources of funding (state funding, local property taxes) continue to come up short despite reducing expenditures by 3% from FY10.

General Fund revenues for the past three years have been increasing at an average of 1.9% annually while General Fund expenses have been decreasing at an average of -0.3% annually. The following is an excerpt from the School District's General Fund Five Year Forecast (presented on the cash basis):

	Actual			Average Change
	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	
<i>Total Revenues</i>	69,161,112	74,644,245	71,622,823	1.9%
<i>Total Expenditures</i>	74,384,557	72,968,274	73,879,572	-0.3%
<i>Excess of Revenues over (under) Expenditures</i>	5,223,445-	1,675,971	2,256,749-	-183.4%
Cash Balance July 1	17,560,441	12,336,996	14,012,967	-8.1%
Cash Balance June 30	12,336,996	14,012,967	11,756,218	-1.3%

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information. During fiscal year 2011, the School District amended its General Fund budget with Hamilton County as changes occurred in School District revenues and expenditures.

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
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Actual General Fund expenditures were \$2,854,310 (3.8%) lower than the final budget and \$4,467,735 (5.8%) lower than the original budget. With economic conditions worsening throughout the year, the School District made budget cuts in many areas. Staffing, employee benefits, instruction, utilities, diesel fuel, equipment and supplies accounted for the majority of these variances. Decreases (approximately \$1.2 million) also occurred in Operation and Maintenance of Plant as State Fiscal Stabilization Funds (SFSF) was used to pay a large portion of the utilities expense.

Actual General Fund revenues were only 0.3% higher than the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2011, the School District had \$26,535,219 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. See Note 6 to the financial statements for more detail.

Capital Assets at Year-End
(Net of Depreciation)

		<u>FY11</u>	<u>FY10</u>
Land	\$	1,010,802	1,010,802
Construction in progress		4,433	103,275
Land improvements		1,317,391	1,554,903
Buildings		15,054,348	15,659,346
Buildings improvements		6,425,670	7,092,501
Furniture and equipment		1,082,774	1,087,613
Vehicles		<u>1,639,801</u>	<u>1,905,068</u>
Total	\$	<u>26,535,219</u>	<u>28,413,508</u>

Net Capital Assets decreased \$1,878,289 in FY11. Major capital assets (construction projects) completed during FY11 included (with approximate value at June 30, 2011):

- Sherwood Elementary – Roof Replacement – \$23,797
- Summit Elementary – Fire Alarm Replacement – \$54,789

Increases in capital assets are offset by the recognition of depreciation expense.

FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2011
Unaudited

Debt

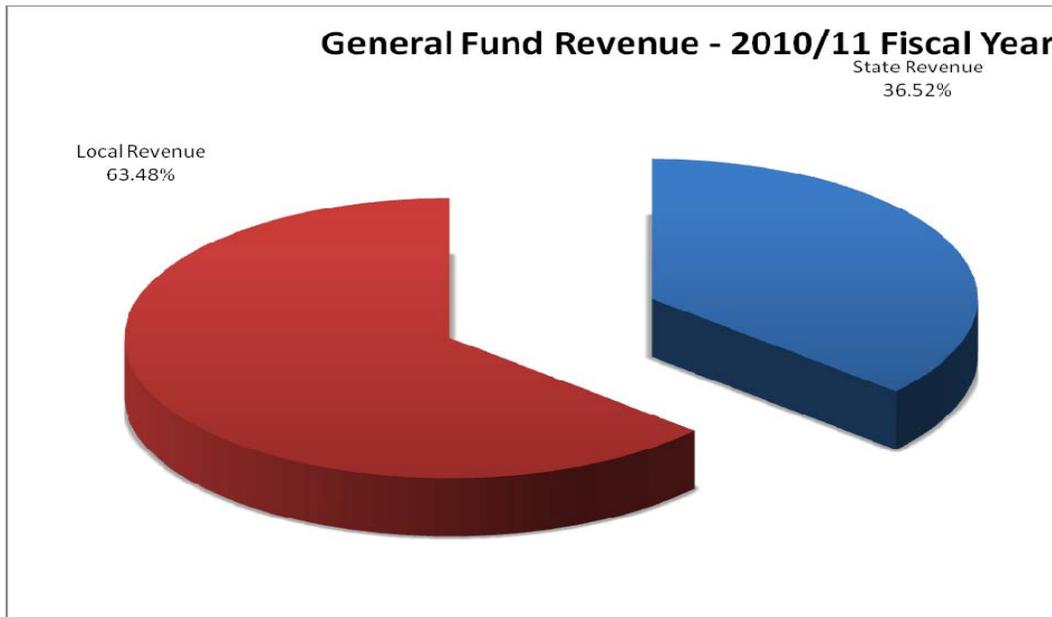
A summary of long-term obligations is located in Note 11.

In 1996, the School District passed a 2.21 mil bond issue providing \$26.1 million dollars for a new middle school, a new high school auditorium, district technology improvements and other various improvements. At June 30, 2011, the School District had \$11,000,000 in outstanding bonds, with \$2,030,000 due within one year. The School District's overall legal debt margin was \$109,779,713 with an unvoted debt margin of \$1,341,997 at June 30, 2011.

ECONOMIC FACTORS

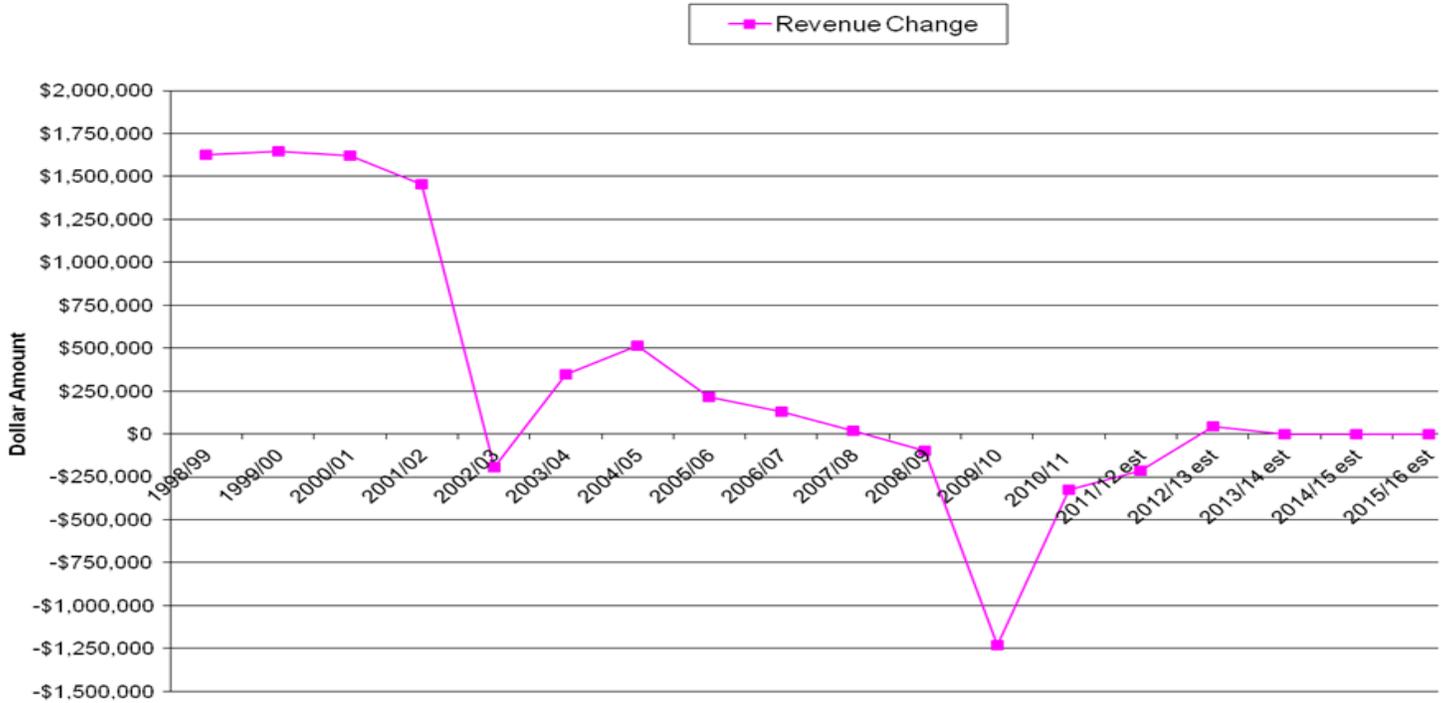
As challenging economic conditions continue, the School District again faces uncertainty and instability with regard to state and local funding.

Direct and reimbursement revenue sources from the state continue to be reduced. Local revenue is also impacted as property values are reduced and delinquencies are at record levels.

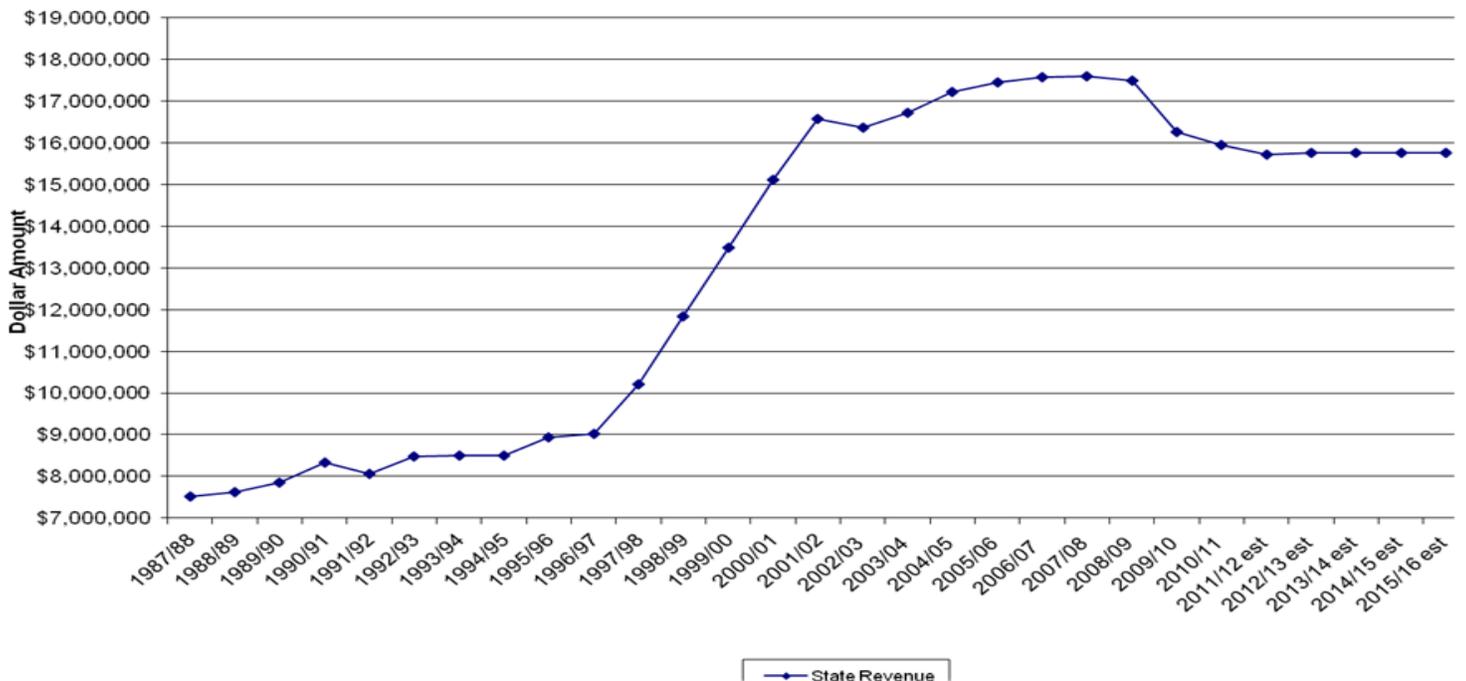


FOREST HILLS LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Unaudited

State Funding



State Funding



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

Other Economic Factors:

- The School District's Five Year Financial Forecast (FY12-FY16) projects a deficit starting in FY14.
- Enrollment figures impact all planning efforts of the School District including class size projections, staffing levels, facility usage/building capacities and many other long term planning efforts. Enrollment continues to be relatively stable with no significant changes projected.
- Interest rates have remained at very low levels throughout fiscal year 2011. Since General Fund interest earnings are used in the Permanent Improvement Fund to fund capital and large preventive maintenance projects, the General Fund will be forced to absorb the costs of these needed projects.
- Commercial and residential property values have been severely impacted by a tough economic year as the number of Board of Revisions cases and delinquencies has significantly increased.
- School funding continues to be a complex and unstable issue for Ohio school districts. Due to the current condition of the state's budget, after the significant cuts of the current state budget, we are projecting state funding to remain relatively flat.
- The School District receives almost all of its funding from two sources: state funding and local property tax revenues. With both of these sources of funding being significantly reduced, the School District will continue to reduce operational costs.

REQUESTS FOR ADDITIONAL INFORMATION

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

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FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 18,977,118
Receivables:	
Taxes	46,975,093
Accounts	122,128
Intergovernmental	510,009
Interest	202
Supplies inventory	315,701
Restricted cash and investments	250,638
Deferred charges	97,394
Nondepreciable capital assets	1,015,235
Depreciable capital assets, net	<u>25,519,984</u>
Total assets	<u>93,783,502</u>
Liabilities:	
Accounts payable	237,381
Accrued wages and benefits	7,241,558
Pension obligation payable	1,712,795
Unearned revenue	29,295,636
Accrued interest payable	33,018
Noncurrent liabilities:	
Due within one year	3,033,743
Due within more than one year	<u>10,817,378</u>
Total liabilities	<u>52,371,509</u>
Net Assets:	
Invested in capital assets, net of related debt	15,437,825
Restricted for:	
Capital projects	1,591,093
Debt service	3,370,167
Other purposes	2,307,130
Endowment:	
Expendable	1,886
Nonexpendable	718,291
Unrestricted	<u>17,985,601</u>
Total net assets	<u>\$ 41,411,993</u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$ 35,831,978	1,096,365	136,663	\$ (34,598,950)
Special education	9,517,088	-	362,704	(9,154,384)
Other	1,533,929	-	31,132	(1,502,797)
Support services:				
Pupil	3,411,888	-	184,910	(3,226,978)
Instructional staff	8,733,084	-	1,428,596	(7,304,488)
Board of Education	30,316	-	-	(30,316)
Administration	5,413,252	-	181,944	(5,231,308)
Fiscal	1,260,401	-	-	(1,260,401)
Business	179,174	-	-	(179,174)
Operation and				
maintenance of plant	5,691,536	-	1,316,791	(4,374,745)
Pupil transportation	4,082,428	-	-	(4,082,428)
Central	503,442	-	-	(503,442)
Non-instructional services:				
Extracurricular activities	2,216,424	407,451	-	(1,808,973)
Community service	848,852	-	790,300	(58,552)
Food service	2,241,593	1,655,701	566,101	(19,791)
Interest on long-term debt	475,996	-	-	(475,996)
Total Governmental Activities	\$ <u>81,971,381</u>	<u>3,159,517</u>	<u>4,999,141</u>	<u>(73,812,723)</u>

General Revenues:

Property taxes, levied for general purposes	37,758,984
Property taxes, levied for debt services	2,004,630
Revenue in lieu of taxes	6,812,051
Grants and entitlements not restricted to specific programs	25,215,278
Investment earnings	34,463
Miscellaneous	1,119,279
Total general revenues	<u>72,944,685</u>
Change in net assets	(868,038)
Net assets beginning of year	<u>42,280,031</u>
Net assets end of year	\$ <u>41,411,993</u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 12,165,365	6,811,753	18,977,118
Restricted cash and investments	250,638	-	250,638
Receivables:			
Taxes	44,690,422	2,284,671	46,975,093
Accounts	121,944	184	122,128
Accrued interest	12	190	202
Intergovernmental	5,636	504,373	510,009
Materials and supplies inventory	240,333	75,368	315,701
Total assets	<u>57,474,350</u>	<u>9,676,539</u>	<u>67,150,889</u>
Liabilities:			
Accounts payable	120,393	116,988	237,381
Accrued wages and benefits	6,886,137	355,421	7,241,558
Pension obligation payable	1,581,900	130,895	1,712,795
Compensated absences payable	837,230	-	837,230
Deferred revenue	29,425,422	1,833,158	31,258,580
Total liabilities	<u>38,851,082</u>	<u>2,436,462</u>	<u>41,287,544</u>
Fund Balances:			
Nonspendable	240,333	793,659	1,033,992
Restricted	250,638	4,855,538	5,106,176
Committed	11,000	1,591,093	1,602,093
Assigned	445,650	-	445,650
Unassigned	17,675,647	(213)	17,675,434
Total fund balances	<u>18,623,268</u>	<u>7,240,077</u>	<u>25,863,345</u>
Total liabilities and fund balances	<u>\$ 57,474,350</u>	<u>9,676,539</u>	<u>67,150,889</u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities

June 30, 2011

Total Governmental Fund Balances	\$	25,863,345
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		26,535,219
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Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		1,962,944
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	11,000,000	
Compensated Absences	1,916,497	
Accrued interest payable	<u>33,018</u>	
Total		<u>(12,949,515)</u>

Net Assets of Governmental Activities	\$	<u>41,411,993</u>
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FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 37,843,289	1,999,952	39,843,241
Tuition and fees	1,096,365	-	1,096,365
Charges for services	-	1,655,701	1,655,701
Interest	17,060	20,352	37,412
Revenue in lieu of taxes	6,478,054	333,997	6,812,051
Intergovernmental	24,928,645	5,137,084	30,065,729
Other local revenues	1,059,550	471,422	1,530,972
Total revenues	71,422,963	9,618,508	81,041,471
Expenditures:			
Current:			
Instruction:			
Regular	34,542,633	145,008	34,687,641
Special education	9,092,993	352,272	9,445,265
Other	1,484,926	28,739	1,513,665
Support services:			
Pupil	3,289,963	186,647	3,476,610
Instructional staff	7,275,159	1,373,385	8,648,544
Board of Education	30,316	-	30,316
Administration	5,131,352	171,172	5,302,524
Fiscal	1,265,353	-	1,265,353
Business	175,178	-	175,178
Operation and maintenance of plant	4,413,117	1,215,559	5,628,676
Pupil transportation	3,826,358	-	3,826,358
Central	548,853	-	548,853
Non-instructional services:			
Extracurricular activities	1,512,689	556,146	2,068,835
Community service	59,080	815,850	874,930
Food service	-	2,230,613	2,230,613
Capital outlay	-	71,921	71,921
Debt Service:			
Principal	-	1,880,000	1,880,000
Interest and fiscal charges	-	490,252	490,252
Total expenditures	72,647,970	9,517,564	82,165,534
Excess of revenues over (under) expenditures	(1,225,007)	100,944	(1,124,063)
Other financing sources (uses):			
Transfers in	-	233,430	233,430
Transfers out	(233,430)	-	(233,430)
Other financing sources	8,520	-	8,520
Total other financing sources (uses):	(224,910)	233,430	8,520
Net change in fund balance	(1,449,917)	334,374	(1,115,543)
Fund balance, beginning of year, restated	20,073,185	6,905,703	26,978,888
Fund balance, end of year	\$ 18,623,268	7,240,077	25,863,345

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (1,115,543)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.

Capital outlay	258,089
Depreciation expense	(2,130,431)

Repayment of bond principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
statement of net assets.

1,880,000

In the statement of activities, interest is accrued on outstanding bonds, whereas
in governmental funds, an interest expenditure is reported when due.

14,256

Some expenses reported in the statement of activities, such as compensated
absences do not require the use of current financial resources and
therefore are not reported as expenditures in governmental funds.

172,159

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the funds.

59,379

In the statement of activities, only the loss on the sale of capital assets is reported
while only proceeds from the sale of assets are reported in the funds.

(5,947)

Change in Net Assets of Governmental Activities \$ (868,038)

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Net Assets

Fiduciary Funds

June 30, 2011

		Private Purpose Trusts	Agency
ASSETS			
Equity in pooled cash and investments	\$	<u>264,456</u>	<u>254,835</u>
Total assets		<u><u>264,456</u></u>	<u><u>254,835</u></u>
LIABILITIES			
Accounts payable		-	458
Due to student groups		<u>-</u>	<u>254,377</u>
Total liabilities		<u>-</u>	<u><u>254,835</u></u>
NET ASSETS			
Held in trust	\$	<u><u>264,456</u></u>	

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2011

		<u>Private- Purpose Trusts</u>
Additions:		
Contributions	\$	48,522
Interest		<u>392</u>
Total additions		<u>48,914</u>
 Deductions:		
Community gifts, awards and scholarships		<u>58,411</u>
Total deductions		<u>58,411</u>
 Change in net assets		 (9,497)
 Net assets, beginning of year		 <u>273,953</u>
Net assets, end of year	\$	<u><u>264,456</u></u>

See accompanying notes to the basic financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Forest Hills Local School District (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Reporting Entity

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

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

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

The following activity is included within the reporting entity:

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.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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 Institute of Technology and Career Development, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. The organizations are presented in Notes 13 and 14 to the basic financial statements.

B. Basis of Presentation

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

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

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

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

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

C. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental and fiduciary.

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

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

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

D. Basis of Accounting

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

The modified accrual basis of accounting is used by the governmental funds and agency funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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

Deferred Revenue Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes and revenue in lieu of taxes measurable as of June 30, 2011, which are intended to finance fiscal year 2012 operations have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in several bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

During fiscal year 2011, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2011 at fair value.

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

F. Inventory

All inventories are valued at cost determined on a first-in, first-out basis. Inventory in governmental funds are recorded as expenditures in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a 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.

G. Capital Assets

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

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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

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

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

I. Accrued Liabilities and Long-Term Obligations

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

J. Fund Balances

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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

K. Restricted Assets

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, donors, grantors or laws or regulations of other governments.

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

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

M. Estimates

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

2. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clarifying fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's beginning fund balance:

	General	Other Governmental funds	Total Governmental Funds
Fund Balance at June 30, 2010	\$ 19,468,295	7,510,593	26,978,888
Change in fund structure	<u>604,890</u>	<u>(604,890)</u>	<u>-</u>
Restated Fund Balance at June 30, 2010	\$ <u>20,073,185</u>	<u>6,905,703</u>	<u>26,978,888</u>

3. DEPOSITS AND INVESTMENTS

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

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

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

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. At year-end, \$17,188,426 of the School District's bank balance of \$17,688,426 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

Investments

The School District's investment in STAROhio is not evidenced by securities that exist in physical or book entry form. Investments in STAR Ohio were rated AAAM by Standard & Poor's. The fair value of the School District's investment in STAROhio is \$5,450,077 at June 30, 2011.

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of the prior January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value listed as of December 31, 2010. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

The School District receives property taxes from the Hamilton County Auditor, who periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011 are available to finance fiscal year 2011 operations.

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, 2011. 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, 2011, was \$15,265,000 in the General Fund and \$806,000 in the Debt Service Fund. The assessed values upon which fiscal year 2011 taxes were collected are:

	<u>2010 Second- Half Collections</u>		<u>2011 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,323,353,620	98.22%	1,320,116,360	98.37%
Tangible Personal Property	<u>23,984,850</u>	1.78%	<u>21,880,450</u>	1.63%
Total Assessed Value	\$ <u><u>1,347,338,470</u></u>	100.00%	<u><u>1,341,996,810</u></u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$61.65		\$61.65

5. INTERFUND TRANSACTIONS

During the year ended June 30, 2011, the General Fund made transfers of \$233,430 to Other Governmental funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance 7/1/10	Additions	Disposals	Balance 6/30/11
Governmental Activities				
Nondepreciable:				
Land	\$ 1,010,802	-	-	1,010,802
Construction in progress	103,275	36,346	(135,188)	4,433
Subtotal	<u>1,114,077</u>	<u>36,346</u>	<u>(135,188)</u>	<u>1,015,235</u>
Depreciable:				
Land improvements	3,842,810	-	-	3,842,810
Buildings	30,731,692	-	-	30,731,692
Building improvements	17,016,142	119,787	-	17,135,929
Equipment and furniture	3,190,357	196,545	(528,617)	2,858,285
Vehicles	5,035,944	40,599	(247,275)	4,829,268
Subtotal	<u>59,816,945</u>	<u>356,931</u>	<u>(775,892)</u>	<u>59,397,984</u>
Totals at historical cost	<u>60,931,022</u>	<u>393,277</u>	<u>(911,080)</u>	<u>60,413,219</u>
Less accumulated depreciation:				
Land improvements	2,287,907	237,512	-	2,525,419
Buildings	15,072,346	604,998	-	15,677,344
Building improvements	9,923,641	786,618	-	10,710,259
Equipment and furniture	2,102,744	195,437	(522,670)	1,775,511
Vehicles	3,130,876	305,866	(247,275)	3,189,467
Total accumulated depreciation	<u>32,517,514</u>	<u>2,130,431</u>	<u>(769,945)</u>	<u>33,878,000</u>
Capital assets, net	\$ <u>28,413,508</u>	<u>(1,737,154)</u>	<u>(141,135)</u>	<u>26,535,219</u>

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 1,345,093
Special	47,435
Other	1,868
Support services:	
Pupil	4,419
Instructional staff	66,208
Administration	64,340
Fiscal	3,144
Business	775
Operation and maintenance of plant	35,432
Pupil transportation	296,745
Central	1,288
Community service	17,216
Extracurricular activities	165,553
Food service	<u>80,915</u>
 Total depreciation expense	 \$ <u>2,130,431</u>

7. 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 contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS's website at www.ohsers.org under Employers/Audit Resources.

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

For the fiscal year ended 2011, the allocation to pension and death benefits was 11.81%. The remaining 2.19% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,767,000, \$1,679,000, and \$1,655,000, respectively; 63% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009. The unpaid portion of the contribution is recorded as a liability.

State Teachers Retirement System

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

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

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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

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

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

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

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

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$5,220,000, \$5,400,000, and \$5,202,000, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009. The unpaid contribution for fiscal year 2011 is recorded as a liability.

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2011, members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

8. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS).

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's portion of contributions to STRS allocated to the health care plan for the years ended June 30, 2011, 2010, and 2009 were approximately \$375,000, \$386,000, and \$372,000, respectively; 84% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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

Medicare B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was 0.76%. The School District's contributions for the year ended June 30, 2011, 2010 and 2009 were approximately \$96,000, \$91,000 and \$89,000 which equaled the required contributions for the year.

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$180,000, \$55,000 and \$54,000, respectively.

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

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

9. 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 14). 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.

10. EMPLOYEE BENEFITS

Compensated Absences

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

11. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Principal			Principal		Amounts
	Outstanding	Additions	Reductions	Outstanding	Due in	
	7/1/10			6/30/11	One Year	
<i>Governmental Activities:</i>						
General obligation bonds	\$ 12,880,000	-	(1,880,000)	11,000,000	2,030,000	
Add issuance premium	107,757	-	(10,363)	97,394	-	
Compensated absences	<u>3,285,048</u>	<u>820,732</u>	<u>(1,352,053)</u>	<u>2,753,727</u>	<u>1,003,743</u>	
Total	\$ <u>16,272,805</u>	<u>820,732</u>	<u>(3,242,416)</u>	<u>13,851,121</u>	<u>3,033,743</u>	

Capital Improvement Bonds Payable - On April 1, 1997, the School District issued \$23,500,000 in voted general obligations bonds for the purpose of constructing a junior high school. The bonds were partially refunded in 2003 and will fully mature in December 2011. The balance outstanding at June 30, 2011 is \$1,600,000. The bonds will be retired from the debt service fund.

School Improvement Refunding Bonds Payable - On December 1, 2003, School District issued \$11,835,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$11,835,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The balance outstanding at June 30, 2011 is \$9,400,000. The bonds will be retired from the debt service fund and fully mature in December 2020.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid. The School District's voted legal debt margin was \$109,779,713 with an unvoted debt margin of \$1,341,997 at June 30, 2011.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011, are as follows:

Fiscal Year		Principal	Interest	Total
Ending June 30,				
2012	\$	2,030,000	354,794	2,384,794
2013		2,135,000	262,444	2,397,444
2014		2,250,000	184,019	2,434,019
2015		780,000	1,737,956	2,517,956
2016		720,000	1,847,956	2,567,956
2017-2021		<u>3,085,000</u>	<u>143,741</u>	<u>3,228,741</u>
Total	\$	<u>11,000,000</u>	<u>4,530,910</u>	<u>15,530,910</u>

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

12. FUND BALANCES

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

Fund Balances	General	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>			
Inventory	\$ 240,333	75,368	315,701
Scholarships	-	718,291	718,291
<i>Total Nonspendable</i>	240,333	793,659	1,033,992
<i>Restricted for</i>			
Food Service Operations	-	919,138	919,138
Athletics	-	271,027	271,027
Auxilliary Schools	-	94,434	94,434
Special Education	-	34,428	34,428
State Fiscal Stabilization	-	136,104	136,104
Disadvantaged Children	-	47,075	47,075
Preschool Special Education	-	12,347	12,347
Improving Teacher Quality	-	661	661
Other Purposes	250,638	113,309	363,947
Debt Service Payments	-	3,227,015	3,227,015
<i>Total Restricted</i>	250,638	4,855,538	5,106,176
<i>Committed to</i>			
Underground Storage Tanks	11,000	-	11,000
Capital Improvements	-	1,591,093	1,591,093
<i>Total Committed</i>	11,000	1,591,093	1,602,093
<i>Assigned to</i>			
Other Purposes	445,650	-	445,650
<i>Unassigned (Deficit)</i>	17,675,647	(213)	17,675,434
<i>Total Fund Balance</i>	\$ 18,623,268	7,240,077	25,863,345

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

At June 30, 2011, the Vocational Education Fund had a deficit fund balance of \$213. The deficit fund balance was 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.

13. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton Clermont Cooperative Association/Unified Purchasing Association

The Hamilton Clermont Cooperative Association/Unified Purchasing Association (H/CCA) is a jointly governed organization among a two-county consortium of school districts. H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid approximately \$100,000 for services provided during the fiscal year. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

The Great Oaks Institute of Technology and Career Development

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

14. INSURANCE PURCHASING POOL

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.

15. 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, 2011.

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.

16. REQUIRED SET-ASIDES

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

FOREST HILLS LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2011

		<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance June 30, 2010	\$	-	-	250,638
Current year set-aside requirement		1,186,232	1,186,232	-
Current year qualifying expenditures		(3,288,575)	(1,948,207)	-
Excess qualified expenditures from prior years		<u>(9,627,917)</u>	<u>-</u>	<u>-</u>
Total		<u>(11,730,260)</u>	<u>(761,975)</u>	<u>250,638</u>
Balance carried forward to FY2012	\$	<u>(11,730,260)</u>	<u>-</u>	<u>250,638</u>
Set-aside reserve balance June 30, 2011	\$	<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.

17. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2011, 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 \$24,000.

FOREST HILLS LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 37,233,514	37,233,514	37,493,289	259,775
Tuition and fees	1,195,500	1,195,000	987,771	(207,229)
Interest	40,000	40,000	17,234	(22,766)
Intergovernmental	24,398,445	24,398,445	24,979,998	581,553
Other local revenues	<u>7,232,987</u>	<u>7,232,988</u>	<u>6,852,615</u>	<u>(380,373)</u>
Total revenues	<u>70,100,446</u>	<u>70,099,947</u>	<u>70,330,907</u>	<u>230,960</u>
Expenditures:				
Current:				
Instruction:				
Regular	36,008,130	35,120,283	34,359,796	760,487
Special education	9,677,187	9,701,913	9,196,832	505,081
Other instruction	1,626,694	1,640,555	1,512,535	128,020
Support services:				
Pupil	3,389,439	3,487,979	3,325,077	162,902
Instructional staff	7,139,378	7,514,967	7,335,943	179,024
Board of Education	55,295	46,795	37,492	9,303
Administration	5,318,530	5,326,992	5,049,728	277,264
Fiscal	1,349,895	1,307,220	1,266,679	40,541
Business	189,456	195,226	175,880	19,346
Operation and maintenance of plant	6,081,003	4,848,186	4,475,546	372,640
Pupil transportation	4,065,530	4,070,260	3,830,041	240,219
Central	562,429	584,715	560,339	24,376
Non-instructional services:				
Community services	57,065	80,065	60,330	19,735
Extracurricular activities	<u>1,655,835</u>	<u>1,637,285</u>	<u>1,521,913</u>	<u>115,372</u>
Total expenditures	<u>77,175,866</u>	<u>75,562,441</u>	<u>72,708,131</u>	<u>2,854,310</u>
Excess of revenues over (under) expenditures	(7,075,420)	(5,462,494)	(2,377,224)	3,085,270
Other financing sources (uses):				
Transfers out	(256,805)	(233,505)	(233,430)	75
Other financing sources	90,000	90,000	53,472	(36,528)
Other financing uses	(50,360)	(3,360)	(803)	2,557
Sale of assets	<u>1,600</u>	<u>1,600</u>	<u>8,520</u>	<u>6,920</u>
Total other financing sources (uses):	<u>(215,565)</u>	<u>(145,265)</u>	<u>(172,241)</u>	<u>(26,976)</u>
Net change in fund balance	(7,290,985)	(5,607,759)	(2,549,465)	3,058,294
Fund balance, beginning of year	13,615,699	13,615,699	13,615,699	
Prior year encumbrances appropriated	<u>397,267</u>	<u>397,267</u>	<u>397,267</u>	
Fund balance, end of year	\$ <u>6,721,981</u>	<u>8,405,207</u>	<u>11,463,501</u>	

See accompanying notes to required supplementary information.

FOREST HILLS LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2011

Note A Budgetary Basis of Accounting

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

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

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

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ (1,449,917)
Increase / (decrease):	
Due to revenues	(1,092,056)
Due to expenditures	232,525
Due to other sources (uses)	52,669
Due to encumbrances	<u>(292,686)</u>
Net change in fund balance - Budget Basis	\$ <u><u>(2,549,465)</u></u>

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution): National School Lunch Program	N/A	10.555	\$0	\$179,973	\$0	\$178,089
Cash Assistance: National School Lunch Program	3L60	10.555	370,379	0	370,379	0
Total U.S. Department of Agriculture - Total Child Nutrition Cluster			370,379	179,973	370,379	178,089
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I, Part A Cluster:						
Grants to Local Educational Agencies (Title I)	3M00	84.010	409,957	0	424,566	0
ARRA - Title I	3DK0	84.389	20,085	0	38,786	0
Total Title I, Part A Cluster			430,042	0	463,352	0
Special Education Cluster:						
Special Education Grants to States (IDEA part B)	3M20	84.027	1,269,722	0	1,214,993	0
IDEA Preschool Grant	3C50	84.173	33,942	0	32,999	0
ARRA-IDEA Part B	3DJ0	84.391	385,000	0	506,146	0
ARRA-IDEA Preschool	3DL0	84.392	31,300	0	31,086	0
Total Special Education Cluster			1,719,964	0	1,785,224	0
Safe and Drug Free Schools	3D10	84.186	0	0	5,381	0
Title II-D - Educational Technology State Grants	3S20	84.318	1,091	0	1,465	0
Title III - LEP	3Y70	84.365	14,927	0	15,961	0
Title II-A - Improving Teacher Quality State Grants	3Y60	84.367	155,464	0	161,778	0
ARRA-State Fiscal Stabilization Fund (SFSF) Education State Grants	GRF	84.394	1,362,949	0	1,229,895	0
<i>Passed through the Great Oaks Institute of Technology & Career Development:</i>						
Carl Perkins/Vocational Education	N/A	84.048	17,832	0	19,529	0
Total U.S. Department of Education			3,702,269	0	3,682,585	0
Totals			\$4,072,648	\$179,973	\$4,052,964	\$178,089

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

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Forest Hills Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2011, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 30, 2011.

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

November 30, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Forest Hills Local School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Forest Hills Local School District, Hamilton County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated November 30, 2011.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

November 30, 2011

**FOREST HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control 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(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States (IDEA part B)– CFDA #84.027; IDEA Preschool Grant– CFDA #84.173; ARRA – IDEA Part B– CFDA #84.391; ARRA – IDEA Preschool– CFDA #84.392 ARRA-State Fiscal Stabilization Fund (SFSF) Education State Grants – CFDA #84.394
(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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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Forest Hills Local School District, Hamilton County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 30, 2011

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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
DECEMBER 13, 2011**