

**OAK HILLS LOCAL SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2008**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Oak Hills Local School District  
6325 Rapid Run Road  
Cincinnati, Ohio 45233

We have reviewed the *Independent Auditor's Report* of the Oak Hills Local School District, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Oak Hills Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 19, 2008

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Oak Hills Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hills Local School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 1, 2008

**OAK HILLS LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)**

The discussion and analysis of Oak Hills Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- Net assets of governmental activities increased \$2,524,358 which represents a 8% increase from 2007 Restated.
- General revenues accounted for \$66,029,813 in revenue or 84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,211,739 or 16% of total revenues of \$78,241,552 .
- The District had \$75,717,194 in expenses related to governmental activities; \$12,211,739 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$66,029,813 were also used to provide for these programs.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Government-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and Permanent Improvement Fund are the major funds of the District.

## **Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2008?” The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District’s *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities – All of the District’s programs and services are reported as Governmental Activities including instruction, support services, operation of noninstructional services, extracurricular activities, and interest and fiscal charges.

## **Fund Financial Statements**

The analysis of the District’s major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds.

***Governmental Funds*** Most of the District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

***Fiduciary Funds*** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s own programs.

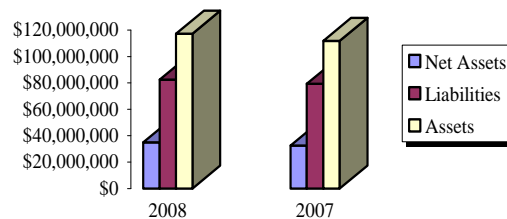


## The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2008 compared to 2007 Restated:

Table 1  
Net Assets

	Governmental Activities	
	2008	2007 Restated
<b>Assets:</b>		
Current and Other Assets	\$68,297,566	\$62,974,567
Capital Assets	49,039,259	48,878,041
<b>Total Assets</b>	<b>117,336,825</b>	<b>111,852,608</b>
<b>Liabilities:</b>		
Other Liabilities	32,046,702	27,096,781
Long-Term Liabilities	50,374,335	52,364,397
<b>Total Liabilities</b>	<b>82,421,037</b>	<b>79,461,178</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	3,223,283	1,034,151
Restricted	6,154,650	3,978,721
Unrestricted	25,537,855	27,378,558
<b>Total Net Assets</b>	<b>\$34,915,788</b>	<b>\$32,391,430</b>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$34,915,788 .

At year-end, capital assets represented 42% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2008, was \$3,223,283 . These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$6,154,650 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total assets increased from the prior year mainly due to the increase in taxes receivable at year end. Long-term liabilities decreased, while invested in capital assets, net of related debt increased due to the District making regularly scheduled debt service payments on their General Obligation Bonds. Other Liabilities increased mainly due to the increase in unearned revenue.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007 Restated.

Table 2  
Changes in Net Assets

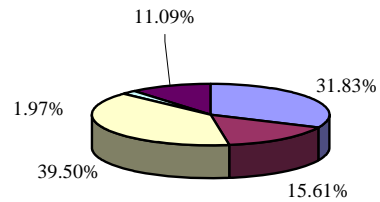
	Governmental Activities	
	2008	2007 Restated
Revenues:		
Program Revenues		
Charges for Services	\$5,333,215	\$5,015,925
Operating Grants, Contributions	6,856,642	6,689,612
Capital Grants and Contributions	21,882	101,593
General Revenues:		
Property Taxes	30,903,325	27,481,856
Grants and Entitlements	24,903,123	24,071,668
Other	10,223,365	10,473,163
Total Revenues	<u>78,241,552</u>	<u>73,833,817</u>
Program Expenses:		
Instruction	41,700,556	40,053,698
Support Services:		
Pupil and Instructional Staff	9,977,473	8,781,932
School Administrative, General		
Administration, Fiscal and Business	6,473,233	6,297,434
Operations and Maintenance	6,880,648	7,020,054
Pupil Transportation	2,553,989	2,081,132
Central	534,923	472,596
Operation of Non-Instructional Services	4,715,758	5,115,065
Extracurricular Activities	1,774,568	1,732,180
Interest and Fiscal Charges	1,106,046	2,226,417
Total Program Expenses	<u>75,717,194</u>	<u>73,780,508</u>
Change in Net Assets	2,524,358	53,309
Net Assets Beginning of Year	<u>32,391,430</u>	<u>32,338,121</u>
Net Assets End of Year	<u><u>\$34,915,788</u></u>	<u><u>\$32,391,430</u></u>

The District revenues are mainly from two sources. Property taxes levied for general purposes, debt service and capital projects and grants and entitlements comprised 71% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 39% of revenue for governmental activities for the District in fiscal year 2008.

Revenue Sources	2008	Percent of Total
General Grants	\$24,903,123	31.83%
Program Revenues	12,211,739	15.61%
General Tax Revenues	30,903,325	39.50%
Investment Earnings	1,543,598	1.97%
Other Revenues	8,679,767	11.09%
	<u>\$78,241,552</u>	<u>100.00%</u>



Instruction comprises 55.1% of governmental program expenses. Support services expenses were 34.9% of governmental program expenses. All other expenses including interest expense were 10.0% . Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Program revenues remained relatively constant from 2007 to 2008. Property taxes revenues increased due to an increase in revenue collected throughout the year by the county auditors. Instruction, pupil and instructional staff expense increased due to increases in personnel cost and general inflationary factors. Operations and maintenance increased due to the District’s commitment to maintaining (maintenance, repairs, etc.) the various buildings throughout the District.

### Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. These services are mainly supported by tax revenue and unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2008	2007 Restated	2008	2007 Restated
Instruction	\$41,700,556	\$40,053,698	(\$37,330,486)	(\$35,698,929)
Support Services:				
Pupil and Instructional Staff	9,977,473	8,781,932	(8,464,960)	(7,236,854)
School Administrative, General				
Administration, Fiscal and Business	6,473,233	6,297,434	(6,139,008)	(6,116,918)
Operations and Maintenance	6,880,648	7,020,054	(6,847,414)	(6,995,364)
Pupil Transportation	2,553,989	2,081,132	(2,275,034)	(1,780,545)
Central	534,923	472,596	(520,524)	(457,095)
Operation of Non-Instructional Services	4,715,758	5,115,065	21,512	(775,452)
Extracurricular Activities	1,774,568	1,732,180	(843,495)	(685,804)
Interest and Fiscal Charges	1,106,046	2,226,417	(1,106,046)	(2,226,417)
Total Expenses	<u>\$75,717,194</u>	<u>\$73,780,508</u>	<u>(\$63,505,455)</u>	<u>(\$61,973,378)</u>

### **The District's Funds**

The District has two major governmental funds: the General Fund and Permanent Improvement Fund. Assets of the General Fund comprised \$54,628,717 (80%), Permanent Improvement Fund comprised \$6,180,778 (9%) of the total \$67,991,299 governmental funds assets.

**General Fund:** Fund balance at June 30, 2008 was \$28,635,791 including \$19,893,145 of unreserved balance. The primary reason for the decrease in fund balance was an increase in instructional staff expenses for the District.

**Permanent Improvement Fund:** Fund balance at June 30, 2008 was \$1,748,779 with an increase in fund balance of \$1,223,458. The fund balance increase over 2007 was due mainly to the fund collecting taxes revenue in 2008 compared to none in 2007.

### **General Fund Budgeting Highlights**

The District's Budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$61,948,045, compared to original budget estimates of \$61,088,098. Of this \$859,947 difference, most was due to underestimating tax and intergovernmental revenues in the original budget.

The District's unobligated cash balance for the General Fund was \$61,159 below the final budgeted amount.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2008, the District had \$49,039,259 invested in land, construction in progress, buildings and improvements, and furniture and equipment. Table 4 shows fiscal 2008 balances compared to fiscal 2007:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities	
	2008	2007 Restated
Land	\$1,631,693	\$1,302,649
Construction in Progress	527,298	0
Buildings and Improvements	45,899,162	46,528,635
Furniture and Equipment	981,106	1,046,757
Total Net Capital Assets	<u>\$49,039,259</u>	<u>\$48,878,041</u>

Total Net Capital Assets remained relatively consistent in 2008 as compared to 2007.

See Note 7 to the Basic Financial Statements for further details on the District's capital assets.

### Debt

At June 30, 2008, the District had \$45,815,976 in debt outstanding, \$2,245,000 due within one year. Table 5 summarizes total debt outstanding.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities 2008	Governmental Activities 2007
Bonds and Notes Payable:		
Oak Hills Building Project I	\$0	\$100,000
Oak Hills Building Project II	6,630,000	8,060,000
Refunding Bonds:		
Current Interest Bonds –		
School Improvement	32,690,000	32,870,000
Capital Appreciation Bonds - Principal	2,919,986	2,919,936
Capital Appreciation Bonds - Interest	332,211	215,860
Premium on Bonds	1,858,779	1,962,044
Subtotal Bonds	<u>44,430,976</u>	<u>46,127,840</u>
Loan Payable:		
Rickenbacker Port Authority	1,385,000	1,707,000
Subtotal Loan Payable	<u>1,385,000</u>	<u>1,707,000</u>
Total Outstanding Debt at Year End	<u>\$45,815,976</u>	<u>\$47,834,840</u>

See Note 8 to the Basic Financial Statements for further details on the District's obligations.

## **Economic Outlook**

A challenge facing the School District is the future of state funds. On December 11, 2002, the Ohio Supreme Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

Management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

## **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ronda Johnson, Treasurer at Oak Hills Local School District, 6325 Rapid Run Road, Cincinnati, Ohio 45233. Or E-mail at [Johnson\\_R2@oakhills.hccanet.org](mailto:Johnson_R2@oakhills.hccanet.org).

Oak Hills Local School District  
Statement of Net Assets  
June 30, 2008

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$31,377,001
Restricted Cash and Investments	380,716
Receivables:	
Taxes	35,955,107
Accounts	25,519
Interest	35,313
Intergovernmental	197,517
Deferred Bond Issuance Costs	324,267
Inventory	2,126
Nondepreciable Capital Assets	2,158,991
Depreciable Capital Assets, Net	<u>46,880,268</u>
 Total Assets	 <u>117,336,825</u>
Liabilities:	
Accounts Payable	602,527
Accrued Wages and Benefits	7,420,614
Accrued Interest Payable	170,570
Unearned Revenue	23,616,031
Contracts Payable	236,960
Long-Term Liabilities:	
Due Within One Year	3,047,191
Due In More Than One Year	<u>47,327,144</u>
 Total Liabilities	 <u>82,421,037</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,223,283
Restricted for:	
Special Revenue	265,601
Debt Service	3,578,751
Capital Projects	1,929,582
Set-Aside	380,716
Unrestricted	<u>25,537,855</u>
 Total Net Assets	 <u><u>\$34,915,788</u></u>

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$34,547,801	\$926,512	\$48,536	\$0	(\$33,572,753)
Special	6,916,954	483,243	2,806,088	0	(3,627,623)
Vocational	7	0	10,094	0	10,087
Other	235,794	31,134	64,463	0	(140,197)
Support Services:					
Pupil	4,577,223	520,211	319,675	0	(3,737,337)
Instructional Staff	5,400,250	465	672,162	0	(4,727,623)
General Administration	133,180	0	0	0	(133,180)
School Administration	4,819,529	0	334,225	0	(4,485,304)
Fiscal	1,124,823	0	0	0	(1,124,823)
Business	395,701	0	0	0	(395,701)
Operations and Maintenance	6,880,648	33,234	0	0	(6,847,414)
Pupil Transportation	2,553,989	51,838	205,235	21,882	(2,275,034)
Central	534,923	14,399	0	0	(520,524)
Operation of Non-Instructional Services	4,715,758	2,341,106	2,396,164	0	21,512
Extracurricular Activities	1,774,568	931,073	0	0	(843,495)
Interest and Fiscal Charges	1,106,046	0	0	0	(1,106,046)
<b>Total Governmental Activities</b>	<b>\$75,717,194</b>	<b>\$5,333,215</b>	<b>\$6,856,642</b>	<b>\$21,882</b>	<b>(63,505,455)</b>
General Revenues:					
Property Taxes Levied for:					
					23,040,762
					3,421,172
					4,441,391
					24,903,123
					7,884,327
					308,447
					1,543,598
					486,993
<b>Total General Revenues</b>					<b>66,029,813</b>
Change in Net Assets					2,524,358
Net Assets Beginning of Year, Restated					32,391,430
Net Assets End of Year					<b>\$34,915,788</b>

See accompanying notes to the basic financial statements.



Oak Hills Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$27,653,501	\$412,742	\$3,310,758	\$31,377,001
Restricted Cash and Investments	380,716	0	0	380,716
Receivables:				
Taxes	26,528,608	5,768,036	3,658,463	35,955,107
Accounts	12,579	0	12,940	25,519
Interest	35,313	0	0	35,313
Intergovernmental	0	0	197,517	197,517
Interfund	18,000	0	0	18,000
Inventory	0	0	2,126	2,126
<b>Total Assets</b>	<b>54,628,717</b>	<b>6,180,778</b>	<b>7,181,804</b>	<b>67,991,299</b>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	360,674	220,003	21,850	602,527
Accrued Wages and Benefits	6,884,368	0	536,246	7,420,614
Compensated Absences	371,276	0	0	371,276
Interfund Payable	0	0	18,000	18,000
Deferred Revenue	18,376,608	3,975,036	2,546,673	24,898,317
Contracts Payable	0	236,960	0	236,960
<b>Total Liabilities</b>	<b>25,992,926</b>	<b>4,431,999</b>	<b>3,122,769</b>	<b>33,547,694</b>
Fund Balances:				
Reserved for Encumbrances	209,930	79,701	138,977	428,608
Reserved for Inventory	0	0	2,126	2,126
Reserved for Property Tax Advances	8,152,000	1,793,000	1,238,000	11,183,000
Reserved for Set-Aside	380,716	0	0	380,716
Unreserved, Undesignated, Reported in:				
General Fund	19,893,145	0	0	19,893,145
Special Revenue Funds	0	0	275,493	275,493
Debt Service Funds	0	0	2,404,439	2,404,439
Capital Projects Funds	0	(123,922)	0	(123,922)
<b>Total Fund Balances</b>	<b>28,635,791</b>	<b>1,748,779</b>	<b>4,059,035</b>	<b>34,443,605</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$54,628,717</b>	<b>\$6,180,778</b>	<b>\$7,181,804</b>	<b>\$67,991,299</b>

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
Reconciliation of Total Governmental Fund Balance to  
Net Assets of Governmental Activities  
June 30, 2008

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Total Governmental Fund Balance		\$34,443,605
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.		49,039,259
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	1,156,076	
Intergovernmental	<u>126,210</u>	
		1,282,286
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(170,570)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(4,187,083)</u>	
		(4,187,083)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		324,267
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(45,815,976)</u>
Net Assets of Governmental Activities		<u><u>\$34,915,788</u></u>

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$23,091,615	\$4,260,588	\$3,420,712	\$30,772,915
Tuition and Fees	1,473,787	0	119,917	1,593,704
Investment Earnings	1,523,512	2,280	17,806	1,543,598
Intergovernmental	26,119,369	389,996	5,163,305	31,672,670
Extracurricular Activities	210,083	0	1,256,065	1,466,148
Charges for Services	0	0	2,221,189	2,221,189
Payment in Lieu of Taxes	7,884,327	0	0	7,884,327
Other Revenues	301,884	138,015	407,715	847,614
<b>Total Revenues</b>	<b>60,604,577</b>	<b>4,790,879</b>	<b>12,606,709</b>	<b>78,002,165</b>
Expenditures:				
Current:				
Instruction:				
Regular	31,161,922	1,773,494	103,337	33,038,753
Special	5,693,738	1,601	1,092,178	6,787,517
Vocational	244	0	0	244
Other	235,794	0	0	235,794
Support Services:				
Pupil	3,500,563	0	1,060,044	4,560,607
Instructional Staff	4,651,177	99,578	639,407	5,390,162
General Administration	133,180	0	0	133,180
School Administration	4,579,545	0	347,437	4,926,982
Fiscal	1,055,920	35,325	47,152	1,138,397
Business	436,098	0	0	436,098
Operations and Maintenance	6,403,584	72,535	0	6,476,119
Pupil Transportation	2,456,404	77,695	0	2,534,099
Central	517,100	801	18,918	536,819
Operation of Non-Instructional Services	54,913	0	4,610,877	4,665,790
Extracurricular Activities	834,959	0	924,494	1,759,453
Capital Outlay	564,458	1,506,392	0	2,070,850
Debt Service:				
Principal Retirement	0	0	2,032,000	2,032,000
Interest and Fiscal Charges	0	0	2,152,140	2,152,140
<b>Total Expenditures</b>	<b>62,279,599</b>	<b>3,567,421</b>	<b>13,027,984</b>	<b>78,875,004</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,675,022)</b>	<b>1,223,458</b>	<b>(421,275)</b>	<b>(872,839)</b>
Other Financing Sources (Uses):				
Transfers In	0	0	381,212	381,212
Transfers (Out)	(381,212)	0	0	(381,212)
<b>Total Other Financing Sources (Uses)</b>	<b>(381,212)</b>	<b>0</b>	<b>381,212</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(2,056,234)</b>	<b>1,223,458</b>	<b>(40,063)</b>	<b>(872,839)</b>
<b>Fund Balance Beginning of Year</b>	<b>30,692,025</b>	<b>525,321</b>	<b>4,099,098</b>	<b>35,316,444</b>
<b>Fund Balance End of Year</b>	<b>\$28,635,791</b>	<b>\$1,748,779</b>	<b>\$4,059,035</b>	<b>\$34,443,605</b>

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2008

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Net Change in Fund Balance - Total Governmental Funds (\$872,839)

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

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	1,703,392	
Depreciation Expense	<u>(1,542,174)</u>	161,218

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

Delinquent Property Taxes	130,410	
Intergovernmental	<u>108,977</u>	239,387

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 2,032,000

Interest expense in the statement of activities differs from the amount  
 reported in governmental funds for two reasons. Additional accrued  
 interest was calculated for bonds and notes payable, and the difference  
 arising from the advance refunding due to premium and bond issuance  
 costs.

Accrued Interest	<u>1,077,195</u>	1,077,195
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Some expenses reported in the statement of activities do not require the  
 use of current financial resources and therefore are not reported as  
 expenditures in governmental funds.

Compensated Absences	(81,502)	
Amortization of Bond Issuance Cost	(18,015)	
Amortization of Bond Premium	103,265	
Bond Accretion	<u>(116,351)</u>	
		<u>(112,603)</u>

Change in Net Assets of Governmental Activities \$2,524,358

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

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	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	\$1,020,204	\$48,429
Receivables:		
Accounts	1,021	20
Total Assets	<u>1,021,225</u>	<u>\$48,449</u>
Liabilities:		
Other Liabilities	0	48,449
Total Liabilities	<u>0</u>	<u>\$48,449</u>
Net Assets:		
Held in Trust	<u>1,021,225</u>	
Total Net Assets	<u>\$1,021,225</u>	

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2008

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	Private Purpose Trust
Additions:	
Donations	\$57,540
Investment Earnings	82,397
Other	1,021
Total Additions	<u>140,958</u>
Deductions:	
Scholarships	<u>88,225</u>
Total Deductions	<u>88,225</u>
Change in Net Assets	52,733
Net Assets Beginning of Year	<u>968,492</u>
Net Assets End of Year	<u><u>\$1,021,225</u></u>

See accompanying notes to the basic financial statements.

**OAK HILLS LOCAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008**

**1. DESCRIPTION OF THE DISTRICT**

The Oak Hills Local School District (“the District”) represents a prior consolidation of three elementary districts: Bridgetown, Delhi and Springmyer. The consolidation was finalized by the Hamilton County Board of Education on April 23, 1956, in order to equalize educational opportunities throughout the area. Today, the District operates under current standards as prescribed by the Ohio State Board of Education, as provided in Division (D) of Section 3301.07 and Section 110.01 of the Ohio Revised Code.

The District operates under a locally elected five-member board form of government and provides educational services. The Board controls the District’s instructional programs and support facilities, staffed by 651 certificated teaching and administrative personnel and 253 non-certificated personnel. To provide services to the adult population in the community, Oak Hills has developed one of the largest community education programs in Hamilton County, Ohio.

The District is the third largest in Hamilton County and is 28<sup>th</sup> largest of all 614 districts in Ohio in terms of student enrollment, with 7,765 students for the 2007-08 school year. The District currently operates five (5) elementary schools (grades K-5), three (3) middle schools (grades 6-8), and one (1) comprehensive high school (grades 9-12).

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The District is associated with two organizations that are defined as jointly governed organizations. These organizations include Hamilton/Clermont Cooperative Association and Great Oaks Institute of Technology and Development. These organizations are presented in Note 14.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 most significant of the District's accounting policies are described below.

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 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 District.

#### **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the economic resources measurement focus.



## **FUND ACCOUNTING**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government fund 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.

### **Governmental Funds**

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 District's major governmental funds:

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

Permanent Improvement Fund – The permanent improvement fund is used to account for all transactions related to acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust which accounts for scholarship programs for students and a student managed activity agency fund which accounts for assets and liabilities generated by student managed activities.

### 3. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

#### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also 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.

### Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

## **EQUITY IN POOLED CASH AND INVESTMENTS**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which 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, 2008.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$1,523,512, \$2,280 in Permanent Improvement Fund and \$17,806 in Other Governmental Funds.

## **INVENTORY**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of food held for resale and consumable supplies.

## **CAPITAL ASSETS**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). In prior years, the capitalization threshold was one thousand dollars. The 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Activities Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	45-50 years
Furniture and Equipment	5-20 years

## **COMPENSATED ABSENCES**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The 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 entire compensated absence liability is reported on the government-wide financial statements.

The compensated absences liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u> How Earned	<u>Certified</u> Not Eligible	<u>Administrators</u> 25 days at the start of each contract year	<u>Non-Certificated</u> 5-20 days for each service year, depending on length of service
Maximum Accumulation	Not Applicable	37.5 days; can be paid for 5 days at year end	30 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u> How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	252 days	252 days	255 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per contract	Per contract	Per contract

## **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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$6,154,650 in restricted net assets, none was restricted by enabling legislation.

## **INTERFUND ACTIVITY**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

## **FUND EQUITY**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, budgetary set-asides and property tax advances. The reserve for property tax advances represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

## **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.

## **RESTRICTED ASSETS**

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

## **4. EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

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

### Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2008, \$9,925,660 of the District's bank balance of \$10,125,660 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

### Investments

As of June 30, 2008, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$18,731	0.00
Star Ohio	5,528,009	0.15
Federal Home Loan Bank	6,098,211	2.71
Federal Home Loan Mortgage Corporation	1,500,000	3.90
Federal National Mortgage Association	7,797,899	3.28
Federal Farm Credit Bank	1,500,000	2.60
U.S. Treasury Notes	1,248,145	0.71
	<u>\$23,690,995</u>	
Portfolio Weighted Average Maturity		2.26



Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District’s investments in U.S. Treasury Notes, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Farm Credit Bank and in the Money Market Funds were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Investments in STAR Ohio were rated AAAM by Standard& Poor’s.

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested less than 1% of the District’s investments in Money Market Funds, 24% in STAR Ohio, 5% in U.S. Treasury Notes, 26% in Federal Home Loan Bank, 6% in Federal National Mortgage Corporation, 33% in Federal Home Loan Mortgage Association, and 6% in Federal Farm Credit Bank.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

## **5. PROPERTY TAXES**

Real property taxes collected in 2008 were levied in April on the assessed values as of January 1, 2007, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most business and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2008, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2008. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2008 on the fund financial statements. The entire amount of delinquent taxes receivable is recognized as revenue in the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current 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, 2008, was \$8,152,000 for General Fund, \$1,793,000 for Permanent Improvement Fund and \$1,238,000 for Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2008 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$1,192,432,440
Public Utility Personal	31,258,920
Tangible Personal Property	<u>9,365,550</u>
Total	<u><u>\$1,233,056,910</u></u>

## 6. RECEIVABLES

Receivables at June 30, 2008, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

## 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$1,302,649	\$329,044	\$0	\$1,631,693
Construction in Progress	0	527,298	0	527,298
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	66,604,992	668,825	0	67,273,817
Furniture and Equipment	4,028,786	178,225	0	4,207,011
Totals at Historical Cost	<u>\$71,936,427</u>	<u>\$1,703,392</u>	<u>\$0</u>	<u>\$73,639,819</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$20,076,357	\$1,298,298	\$0	\$21,374,655
Furniture and Equipment	2,982,029	243,876	0	3,225,905
Total Accumulated Depreciation	<u>23,058,386</u>	<u>1,542,174</u>	<u>0</u>	<u>24,600,560</u>
Governmental Activities Capital Assets, Net	<u>\$48,878,041</u>	<u>\$161,218</u>	<u>\$0</u>	<u>\$49,039,259</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,264,582
Special	49,350
Support Services:	
School Administration	81,735
Operations and Maintenance	43,181
Pupil Transportation	50,892
Operation of Non-Instructional Services	33,928
Extracurricular Activities	18,506
Total Depreciation Expense	<u>\$1,542,174</u>

## 8. LONG-TERM LIABILITIES

	Interest Rate	Restated Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
Oak Hills Building Project I	5.59%	\$100,000	\$0	\$100,000	\$0	\$0
Oak Hills Building Project II	5.42%	8,060,000	0	1,430,000	6,630,000	1,630,000
2005 Refunding Bonds:						
Current Interest Bonds -						
School Improvement	4.37%	32,870,000	0	180,000	32,690,000	285,000
Capital Appreciation Bonds -						
Principal Only	4.37%	2,919,986	0	0	2,919,986	0
Capital Appreciation Bonds -						
Interest Only	4.37%	215,860	116,351	0	332,211	0
Premium on Bonds		1,962,044	0	103,265	1,858,779	0
Total General Obligation Bonds		46,127,890	116,351	1,813,265	44,430,976	1,915,000
Loan Payable		1,707,000	0	322,000	1,385,000	330,000
Total Long Term Debt		47,834,890	116,351	2,135,265	45,815,976	2,245,000
Compensated Absences		4,350,892	1,034,068	826,601	4,558,359	802,191
Total Governmental Activities		<u>\$52,185,782</u>	<u>\$1,150,419</u>	<u>\$2,961,866</u>	<u>\$50,374,335</u>	<u>\$3,047,191</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Loan Payable obligations will be paid from the debt service fund.

Principal and interest requirements to retire general obligation debt and notes and loans payable outstanding at year end are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		Loan Payable		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$1,915,000	\$1,983,163	\$330,000	\$43,628	\$0	\$0
2010	1,035,000	1,887,600	340,000	33,232	0	0
2011	1,175,000	1,823,043	351,000	22,522	0	0
2012	1,325,000	1,749,581	364,000	11,466	0	0
2013	1,490,000	1,664,175	0	0	0	0
2014-2018	5,535,000	8,748,009	0	0	2,919,986	1,250,014
2019-2023	14,625,000	4,993,440	0	0	0	0
2024-2026	12,220,000	950,250	0	0	0	0
Total	<u>\$39,320,000</u>	<u>\$23,799,261</u>	<u>\$1,385,000</u>	<u>\$110,848</u>	<u>\$2,919,986</u>	<u>\$1,250,014</u>

## 9. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On December 1, 2007, \$36,634,082 of bonds outstanding that were considered defeased were paid off by the District.

## **10. LOAN PAYABLE**

During the fiscal year 2002, the District entered into a \$3,300,000 loan payable and reissued \$2,635,000 loan payable during fiscal year 2004 to the Rickenbacker Port Authority, Ohio, (the Port Authority). The District capitalized buildings related to the loan.

The loan document refers to the transaction as a lease-purchase agreement, but the substance of the transaction is in the nature of a loan. The loan was made by the Port Authority to the District as the result of the Port Authority's issuance of bonds, the proceeds of which were made available to numerous public school districts in Ohio to assist in the financing and re-financing of permanent improvements and was sponsored by the Ohio School Board Association Expanded Asset Pooled Financing Program.

## **11. PENSION PLANS**

### **SCHOOL EMPLOYEES RETIREMENT SYSTEM**

#### Plan Description

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853 or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org).

#### Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,374,576, \$1,311,780, and \$1,241,016, respectively; 48% has been contributed for fiscal year 2008 and 100% for fiscal year 2007 and 2006.

## **STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

### Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

### Plan Options

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 both the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited members accounts as employers submit their payroll information to STRS Ohio, generally biweekly 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

Plan benefits are established under Chapter 3307 of the 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 purchased credit) times the final average salary. The 31<sup>st</sup> 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 over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 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.

### DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the 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.

### Combined Plan Benefits

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.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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 hospitalizations, physicians' fees, prescription drugs and partial reimbursement 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 spouses 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 up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

### Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. The School District's contributions to STRS for the years ended June 30, 2008, 2007, and 2006 were \$4,631,316, \$4,639,740, and \$4,443,468, respectively; 84% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

## **12. POST EMPLOYMENT BENEFITS**

### **SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

#### Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

#### Medicare Part 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 2007 (latest information available) was \$93.50; 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 2007 (latest information available), the actuarially required allocation was .68%. School District contributions for the year ended June 30, 2008 were \$66,765, 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 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 401(h). 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, 2007 (the latest information available), the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District contributions for the years ended June 30, 2008, 2007, and 2006 were \$325,971, \$311,079, and \$304,049, respectively.

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 2007 (the latest information available), the minimum compensation level was established at \$35,800.

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.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can 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' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

## **STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

### Plan Description

STRS Ohio 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 authorized STRS Ohio to offer a cost-sharing, multi-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current programs includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of monthly premiums.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

#### Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District contributions for the years ended June 30, 2008, 2007, and 2006 were \$330,808, \$331,410, and \$317,391, respectively.

### **13. CONTINGENT LIABILITIES**

#### **GRANTS**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2008.

#### **LITIGATION**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

### **14. JOINTLY GOVERNED ORGANIZATIONS**

The Great Oaks Joint Vocational School (the School), a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a Board consisting of one representative from each participating school district's elected board. The Board possesses its own budgeting and taxing authority. The Vocational School provides academic preparation and job training which leads to employment and/or further education upon graduation from high school. The District has no ongoing financial interest in or responsibility for the Vocational School.

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium A-site used by the District. HCCA 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 the School consists of one representative from each of the participating members. The degree of control exercised by any participating district is limited to its representation on the board.

## 15. RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District carries insurance coverage with the following companies.

<u>Coverage</u>	<u>Company</u>
Automobile	Indiana Insurance
Property	Indiana Insurance
General Liability	Indiana Insurance

Limits and deductible amounts for the above policies vary accordingly.

<u>Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Automobile	\$1,000,000 each occurrence	\$1,000 collision
Property	\$115,632,621 blanket coverage	\$2,500 each loss
General Liability	\$2,000,000 general aggregate	
Umbrella	\$10,000,000 (transportation only)	

The District pays the State of Ohio Bureau of Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

## 16. ACCOUNTABILITY

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Fund:	
Special Education	\$157,580
Improving Teacher Quality	13,191
IDEA Preschool Grant	98
Food Service	118,130

The deficit fund balances were caused by GAAP Accruals.

**17. FUND BALANCE RESERVES FOR SET-ASIDES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2007	(\$3,237,117)	\$0	\$380,716
Current Year Set Aside Requirement	1,226,616	1,226,616	0
Qualified Disbursements	(1,362,035)	(1,004,371)	0
Current Year Offsets	0	(50,677,000)	0
Set Aside Reserve Balance as of June 30, 2008	<u>(\$3,372,536)</u>	<u>(\$50,454,755)</u>	<u>\$380,716</u>
Restricted Cash as of June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$380,716</u>
Carried Forward as of June 30, 2008	<u>(\$3,372,536)</u>		

Although the District had offsets from 2005 Series Debt of \$50,677,000 and qualifying disbursements during the year that reduced the set-aside amounts for capital maintenance reserve to below zero, extra qualified disbursement amounts may not be used to reduce the set-aside requirements of future years. Qualifying disbursements and carryover from prior years for textbooks totaled \$4,599,152, resulting in \$3,372,536 for carryover to offset textbook requirements in future years.

**18. INTERFUND BALANCES/TRANSFERS**

At fiscal year end, interfund receivables, interfund payables, transfers in and transfers out were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$18,000	\$0	\$0	\$381,212
Other Governmental Funds	<u>0</u>	<u>18,000</u>	<u>381,212</u>	<u>0</u>
Total all funds	<u>\$18,000</u>	<u>\$18,000</u>	<u>\$381,212</u>	<u>\$381,212</u>

Transfers out of the General Fund were made to provide resources to the Debt Service.

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**19. PRIOR PERIOD ADJUSTMENT**

Due to the District’s correction of capital assets and compensated absences the following adjustments were made to beginning net assets:

	Governmental
	<u>Activities</u>
Net Assets, June 30, 2007	\$7,504,495
Correction to Compensated Absences	(\$1,604,111)
Correction to Capital Assets	<u>26,491,046</u>
Restated Net Assets, July 1, 2007	<u>\$32,391,430</u>

**20. CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2008, the School District has implemented GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.”

Statement No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. This also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Collectively, these benefits are commonly referred to as “other postemployment benefits (OPEB).”

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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Oak Hills Local School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$23,687,633	\$24,021,087	\$23,732,615	(\$288,472)
Tuition and Fees	1,467,433	1,488,091	1,470,220	(17,871)
Investment Earnings	1,486,520	1,507,446	1,489,343	(18,103)
Intergovernmental	26,069,863	26,436,852	26,119,369	(317,483)
Extracurricular Activities	209,525	212,475	209,923	(2,552)
Payment in Lieu of Taxes	7,869,383	7,980,162	7,884,327	(95,835)
Other Revenues	297,741	301,932	298,306	(3,626)
<b>Total Revenues</b>	<b>61,088,098</b>	<b>61,948,045</b>	<b>61,204,103</b>	<b>(743,942)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	30,881,639	31,504,710	31,166,525	338,185
Special	5,702,210	5,817,258	5,754,813	62,445
Vocational	242	247	244	3
Other	233,730	238,446	235,886	2,560
<b>Support Services:</b>				
Pupil	3,411,449	3,480,279	3,442,920	37,359
Instructional Staff	4,497,763	4,588,510	4,539,255	49,255
General Administration	137,894	140,676	139,166	1,510
School Administration	4,693,593	4,788,292	4,736,892	51,400
Fiscal	1,063,766	1,085,228	1,073,579	11,649
Business	260,269	265,520	262,670	2,850
Operations and Maintenance	6,403,789	6,532,992	6,462,864	70,128
Pupil Transportation	2,435,301	2,484,436	2,457,767	26,669
Central	508,499	518,759	513,190	5,569
Operation of Non-Instructional Services	57,324	58,481	57,853	628
Extracurricular Activities	826,865	843,548	834,493	9,055
Capital Outlay	856,739	874,024	864,642	9,382
<b>Total Expenditures</b>	<b>61,971,072</b>	<b>63,221,406</b>	<b>62,542,759</b>	<b>678,647</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(882,974)</b>	<b>(1,273,361)</b>	<b>(1,338,656)</b>	<b>(65,295)</b>
<b>Other financing sources (uses):</b>				
Advances (Out)	0	0	0	0
Transfers (Out)	(377,727)	(385,348)	(381,212)	4,136
<b>Total Other Financing Sources (Uses)</b>	<b>(377,727)</b>	<b>(385,348)</b>	<b>(381,212)</b>	<b>4,136</b>
<b>Net Change in Fund Balance</b>	<b>(1,260,701)</b>	<b>(1,658,709)</b>	<b>(1,719,868)</b>	<b>(61,159)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>28,978,431</b>	<b>28,978,431</b>	<b>28,978,431</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$27,717,730</b>	<b>\$27,319,722</b>	<b>\$27,258,563</b>	<b>(\$61,159)</b>

See accompanying notes to the required supplementary information.

**OAK HILLS LOCAL SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2008**

**1. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2008.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.



The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$2,056,234)
Net Adjustment for Revenue Accruals	599,526
Net Adjustment for Expenditure Accruals	512,494
Encumbrances	<u>(775,654)</u>
Budget Basis	<u><u>(\$1,719,868)</u></u>

**OAK HILLS LOCAL SCHOOL DISTRICT**

**Single Audit Report**

**June 30, 2008**

**OAK HILLS LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
Food Distribution Program	05PU	10.550	\$0	\$18,428	\$0	\$18,428
Nutrition Cluster:						
National School Breakfast Program	05PU	10.553	15,449	0	15,449	0
National School Lunch Program	04LLP	10.555	81,824	0	81,824	0
Special Milk Program	02PU	10.556	53,724	0	53,724	0
Total Nutrition Cluster			<u>150,997</u>	<u>0</u>	<u>150,997</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>150,997</u>	<u>18,428</u>	<u>150,997</u>	<u>18,428</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	6B-SF	84.027	1,974,546	0	2,097,154	0
Special Education-Preschool Grants	PGS1	84.173	29,552	0	28,280	0
Total Special Education Cluster			<u>2,004,098</u>	<u>0</u>	<u>2,125,434</u>	<u>0</u>
Title I Grants to Local Education Agencies	C1S1	84.010	250,857	0	255,078	0
Vocational Education Basic Grants to States	N/A	84.048	19,006	0	20,929	0
Safe and Drug Free Schools and Communities	DRS1	84.186	20,231	0	19,998	0
State Grants for Innovative Educations	C2S1	84.298	6,097	0	3,330	0
Education Technology State Grants	TJS1	84.318	3,182	0	3,367	0
Improving Teacher Quality	TRS1	84.367	155,835	0	176,591	0
Total Department of Education			<u>2,459,306</u>	<u>0</u>	<u>2,604,727</u>	<u>0</u>
Total Federal Assistance			<u>\$2,610,303</u>	<u>\$18,428</u>	<u>\$2,755,724</u>	<u>\$18,428</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Oak Hills Local School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hills Local School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. The item is identified in the accompanying schedule of findings and questioned costs as item 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we consider item 2008-001 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 1, 2008

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

To the Board of Education  
Oak Hills Local School District

Compliance

We have audited the compliance of the Oak Hills Local School District (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 are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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 that might be 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.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 1, 2008



OAK HILLS LOCAL SCHOOL DISTRICT

June 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

1. SUMMARY OF AUDITOR'S RESULTS

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

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

### **2008-001 - Significant Deficiency/Material Weakness Related to the Financial Statements:**

During the course of our audit, we identified two material prior period adjustments of the financial statements. Throughout the year, the District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The prior period adjustments were necessary to correct the following:

- The appraisal of capital assets did not reflect certain building additions and improvements that were purchased with proceeds of the 1998 School Improvement Bonds.
- Compensated absences payable was under accrued.

The accompanying financial statements were adjusted to reflect correction of material, and certain immaterial, misstatements. Correction of other immaterial misstatements were waived. The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

### **Management Response:**

The District was relying on the capital asset appraisal. Procedures will be modified to assure proper recording.

## **3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None Noted

**OAK HILLS LOCAL SCHOOL DISTRICT  
JUNE 30, 2008**

**SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS  
*OMB CIRCULAR A-133***

Oak Hills Local School District had no prior audit findings or questioned costs.





**Mary Taylor, CPA**  
Auditor of State

OAK 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 31, 2008