

Oak Hill Union Local School District
Jackson County, Ohio

Single Audit

July 1, 2007 through June 30, 2008
Fiscal Year Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

Board of Education
Oak Hill Union Local School District
205 Western Avenue
Oak Hill, Ohio 45656

We have reviewed the *Independent Auditor's Report* of the Oak Hill Union Local School District, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, 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 Hill Union Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 5, 2009

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Oak Hill Union Local School District

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Independent Auditor's Report

Oak Hill Union Local School District
Jackson County
205 Western Avenue
Oak Hill, Ohio 45656

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hill Union Local School District (the School District), Jackson County, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 Comptroller General of the United States' *Government Auditing Standards*. 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 the 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

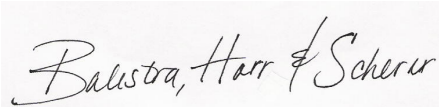
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in cash basis financial position and the respective budgetary comparison for the general fund and the severance fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, on our consideration of the School 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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.

As described in Note 16 to the basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*.



Balestra, Harr & Scherer, CPAs, Inc.

October 31, 2008

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of Oak Hill Union Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the School 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 School District's financial performance.

HIGHLIGHTS

Key financial highlights for the fiscal year 2008 are as follows:

- Net assets of governmental activities increased \$1,408,217.
- General cash receipts accounted for \$9,018,609 or 70% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$3,774,756 or 30% of all cash receipts.

The School District had \$11,385,148 in cash disbursements related to governmental activities; of these cash disbursements, only \$3,774,756 was offset by program specific charges for services and sales, grants, and contributions.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

REPORT COMPONENTS

The *Statement of Net Assets* and *Statement of Activities* provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

BASIS OF ACCOUNTING

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2008, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General fund, the Severance Special Revenue fund, and the State Share Building Fund Expenses Capital Projects fund.

Governmental Funds Most of the School 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 fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities due to transfers netted on the Statement of Activities. See Note 2 to the basic financial statements in the section entitled *Government-Wide Financial Statements*.

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. The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities and private purpose trust funds which are used to maintain activity for scholarship funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Private purpose trust funds are used to account for assets held by the School District under a trust agreement for individuals and are therefore not available to support the School District's own programs. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 9,251,765	\$ 7,805,890
Restricted Cash and Cash Equivalents	212,454	250,112
Total Assets	<u>9,464,219</u>	<u>8,056,002</u>
Net Assets		
Restricted	4,120,991	3,876,315
Unrestricted	5,343,228	4,179,687
Total Net Assets	<u>\$ 9,464,219</u>	<u>\$ 8,056,002</u>

Total assets of the District as a whole increased \$1,408,217. This increase is primarily the result of cash receipts in excess of cash disbursements.

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

Table 2
Changes in Net Assets

	Governmental Activities	
	2008	2007
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 876,628	\$ 845,410
Operating Grants and Contributions	2,840,172	2,750,287
Capital Grants and Contributions	57,956	56,610
Total Program Cash Receipts	<u>3,774,756</u>	<u>3,652,307</u>
General Cash Receipts:		
Property Taxes	2,254,672	2,324,610
Grants and Entitlements, Not Restricted to Specific Programs	6,466,276	6,079,516
Investment Earnings	280,650	338,083
Gifts and Donations, Not Restricted to Specific Programs	-	500
Proceeds from Sale of Capital Assets	2,311	40,057
Miscellaneous	14,700	39,198
Total General Cash Receipts	<u>9,018,609</u>	<u>8,821,964</u>
Total Cash Receipts	<u>12,793,365</u>	<u>12,474,271</u>
Program Cash Disbursements		
Instruction:		
Regular	4,750,069	4,718,107
Special	759,442	685,884
Vocational	64,212	60,004
Other	154,543	140,153
Support Services:		
Pupils	435,314	444,653
Instructional Staff	266,365	275,376
Board of Education	43,189	108,514
Administration	1,098,716	1,000,397
Fiscal	289,789	267,675
Operation and Maintenance of Plant	1,216,812	1,207,343
Pupil Transportation	936,364	984,422
Central	187,838	173,207
Operation of Non-Instructional Services	466,478	438,292
Extracurricular Activities	290,462	175,017
Capital Outlay	47,893	265,942
Debt Service:		
Principal	246,677	249,677
Interest and Fiscal Charges	130,985	152,235
Total Cash Disbursements	<u>11,385,148</u>	<u>11,346,898</u>
Change in Net Assets Before Special Items	1,408,217	1,127,373

(continued)

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

	Governmental Activities	
	2008	2007
Special Items		
Refunding Bonds Issued	\$ -	\$ 2,185,000
P r e m i u m o n R e f u n d i n g B o n d s	-	255,560
Refunding Bond Issuance Costs	-	(54,411)
Payment to Refunded Bond Escrow Agent	-	(2,383,498)
Total Special Items	-	2,651
Change in Net Assets	1,408,217	1,130,024
Net Assets, Beginning of Year	8,056,002	6,925,978
Net Assets, End of Year	<u>\$ 9,464,219</u>	<u>\$ 8,056,002</u>

Cash receipts increased \$319,094. The most significant increase in cash receipts was in grants and entitlements, not restricted to specific programs, primarily due to increases in cash receipts for school foundation allowance, property tax rollback and homestead exemption.

There were no significant changes in cash disbursements between 2007 and 2008.

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
Program Cash Disbursements				
Instruction:				
Regular	\$ 4,750,069	\$ 3,512,630	\$ 4,718,107	\$ 3,406,637
Special	759,442	154,656	685,884	123,744
Vocational	64,212	60,577	60,004	56,588
Other	154,543	40,612	140,153	32,507
Support Services:				
Pupils	435,314	282,732	444,653	275,983
Instructional Staff	266,365	222,865	275,376	235,152
Board of Education	43,189	40,744	108,514	102,336
Administration	1,098,716	894,423	1,000,397	895,434
Fiscal	289,789	223,610	267,675	206,437
Operation and Maintenance of Plant	1,216,812	1,072,398	1,207,343	1,092,682
Pupil Transportation	936,364	437,569	984,422	486,924
Central	187,838	177,206	173,207	163,345
Operation of Non-Instructional Services	466,478	15,785	438,292	3,539
Extracurricular Activities	290,462	106,986	175,017	2,039
Capital Outlay	47,893	(10,063)	265,942	209,332
Debt Service:				
Principal	246,677	246,677	249,677	249,677
Interest and Fiscal Charges	130,985	130,985	152,235	152,235
Total	\$11,385,148	\$ 7,610,392	\$ 11,346,898	\$ 7,694,591

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$13,022,601 and cash disbursements and other financing uses of \$11,614,384. The most significant change in fund balance was in the General fund.

The District's General fund cash fund balance increased by \$1,125,883 due primarily to an increase in intergovernmental cash receipts and the repayment of an advance and decreases in expenditures for administration and pupil transportation support services. These changes were partially offset by increases in cash disbursements for regular and special instruction and extracurricular activities. The increase in extracurricular activities is a result of a change in the reporting of athletic supplemental contracts.

The District's State Share Building Capital projects fund cash fund balance increased \$41,927 primarily due to interest cash receipts.

The District's Severance Special Revenue fund cash fund balance increased by \$13,541 due to a transfer from the General fund of \$150,000, which was offset by cash disbursements of \$136,459 for severance payouts.

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

General Fund Budgeting Highlights

The School 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.

During 2008, revisions were made to the General fund budget. Revenues increased by \$355,009 from the original to final budget primarily due to intergovernmental revenues that were higher than anticipated. This increase was partially offset by a decrease in the estimated property tax revenue. Appropriations decreased by \$589,644 from the original to final budget primarily due to decreases in anticipated expenditures for regular instruction, instructional staff support services, pupil transportation and capital outlay. These increases were partially offset by increased appropriations for extracurricular activities due to a change in the reporting of these expenditures. The General fund's ending unobligated cash balance was \$5,394,463.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$47,893 during fiscal year 2008.

Debt

Under the cash basis of accounting the School District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. At June 30, 2008 the District had \$2,865,840 in bonds and related long-term debt for Governmental Activities. Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

Table 4
Outstanding Debt at June 30
Governmental Activities

	<u>2008</u>	<u>2007</u> *
1999 Classroom Facilities Bonds	\$705,000	\$820,000
2006 Classroom Facilities Refunding Bonds	2,110,000	2,140,000
OSFC Hardship Loan	<u>50,840</u>	<u>152,517</u>
Totals	<u>\$2,865,840</u>	<u>\$3,112,517</u>

* The balance of the 2006 Classroom Facilities Refund Bonds at June 30, 2007, has been restated to reflect a payment of \$45,000 made during fiscal year 2007 that was not previously shown. For additional information regarding debt, please see note 6 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rhonda Harrison, Treasurer at Oak Hill Union Local School District, 205 Western Avenue, Oak Hill, Ohio 45656.

Oak Hill Union Local School District
Statement of Net Assets - Cash Basis
June 30, 2008

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 9,251,765
Restricted Cash and Cash Equivalents	<u>212,454</u>
<i>Total Assets</i>	<u>9,464,219</u>
NET ASSETS:	
Restricted for Debt Service	701,967
Restricted for Capital Outlay	1,532,599
Restricted for Severance	1,152,219
Restricted for Set-a-sides	212,454
Restricted for Other Purposes	521,752
Unrestricted	<u>5,343,228</u>
<i>Total Net Assets</i>	<u><u>\$ 9,464,219</u></u>

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

Oak Hill Union Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2008

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>			<u>Net Disbursements and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$ 4,750,069	\$ 380,374	\$ 857,065	\$ -	\$ (3,512,630)
Special	759,442	64,486	540,300	-	(154,656)
Vocational	64,212	3,635	-	-	(60,577)
Other	154,543	20,876	93,055	-	(40,612)
Support Services:					
Pupils	435,314	39,393	113,189	-	(282,732)
Instructional Staff	266,365	18,354	25,146	-	(222,865)
Board of Education	43,189	2,445	-	-	(40,744)
Administration	1,098,716	78,577	125,716	-	(894,423)
Fiscal	289,789	16,228	49,951	-	(223,610)
Operation and Maintenance of Plant	1,216,812	77,586	66,828	-	(1,072,398)
Pupil Transportation	936,364	53,011	445,784	-	(437,569)
Central	187,838	10,632	-	-	(177,206)
Operation of Non-Instructional Services	466,478	75,329	375,364	-	(15,785)
Extracurricular Activities	290,462	35,702	147,774	-	(106,986)
Capital Outlay	47,893	-	-	57,956	10,063
Debt Service:					
Principal	246,677	-	-	-	(246,677)
Interest and Fiscal Charges	130,985	-	-	-	(130,985)
<i>Total Governmental Activities</i>	<u>\$ 11,385,148</u>	<u>\$ 876,628</u>	<u>\$ 2,840,172</u>	<u>\$ 57,956</u>	(7,610,392)
General Cash Receipts:					
Property Taxes Levied for:					
General Purposes					1,833,424
Other Purposes					37,719
Debt Service					383,529
Grants and Entitlements, Not Restricted to Specific Programs					6,466,276
Investment Earnings					280,650
Proceeds from Sale of Capital Assets					2,311
Miscellaneous					14,700
<i>Total General Cash Receipts</i>					<u>9,018,609</u>
<i>Change in Net Assets</i>					1,408,217
<i>Net Assets Beginning of Year</i>					<u>8,056,002</u>
<i>Net Assets End of Year</i>					<u>\$ 9,464,219</u>

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

Oak Hill Union Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2008

	<u>General</u>	<u>State Share Building Fund Expenses</u>	<u>Severance</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 5,343,228	\$ 1,347,559	\$ 1,152,219	\$ 1,408,759	\$ 9,251,765
Restricted Cash and Cash Equivalents	212,454	-	-	-	212,454
<i>Total Assets</i>	<u>\$ 5,555,682</u>	<u>\$ 1,347,559</u>	<u>\$ 1,152,219</u>	<u>\$ 1,408,759</u>	<u>\$ 9,464,219</u>
FUND BALANCES:					
Reserved:					
Reserved for Encumbrances	161,219	3,200	-	67,828	232,247
Reserved for Textbooks and Instructional Materials	172,386	-	-	-	172,386
Reserved for Budget Stabilization	40,068	-	-	-	40,068
Unreserved, Undesignated, Reported in:					
General Fund	5,182,009	-	-	-	5,182,009
Special Revenue Funds	-	-	1,152,219	453,924	1,606,143
Debt Service Funds	-	-	-	701,967	701,967
Capital Projects Funds	-	1,344,359	-	185,040	1,529,399
<i>Total Fund Balances</i>	<u>\$ 5,555,682</u>	<u>\$ 1,347,559</u>	<u>\$ 1,152,219</u>	<u>\$ 1,408,759</u>	<u>\$ 9,464,219</u>

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

Oak Hill Union Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	State Share Building Fund Expenses	Severance	All Other Governmental Funds	Total Governmental Funds
CASH RECEIPTS:					
Property Taxes	\$ 1,833,424	\$ -	\$ -	\$ 421,248	\$ 2,254,672
Intergovernmental	7,287,347	-	-	1,976,254	9,263,601
Interest	238,723	41,927	-	-	280,650
Tuition and Fees	480,631	-	-	-	480,631
Extracurricular Activities	-	-	-	231,876	231,876
Gifts and Donations	-	-	-	100,803	100,803
Customer Sales and Services	-	-	-	164,121	164,121
Miscellaneous	14,176	-	-	524	14,700
<i>Total Cash Receipts</i>	<u>9,854,301</u>	<u>41,927</u>	<u>-</u>	<u>2,894,826</u>	<u>12,791,054</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	3,684,968	-	481	1,064,620	4,750,069
Special	554,462	-	-	204,980	759,442
Vocational	64,212	-	-	-	64,212
Other	38,901	-	-	115,642	154,543
Support Services:					
Pupils	294,650	-	-	140,664	435,314
Instructional Staff	235,115	-	-	31,250	266,365
Board of Education	43,189	-	-	-	43,189
Administration	942,484	-	102,766	53,466	1,098,716
Fiscal	268,472	-	-	21,317	289,789
Operation and Maintenance of Plant	1,133,762	-	33,212	49,838	1,216,812
Pupil Transportation	936,277	-	-	87	936,364
Central	187,838	-	-	-	187,838
Operation of Non-Instructional Services	-	-	-	466,478	466,478
Extracurricular Activities	106,818	-	-	183,644	290,462
Capital Outlay	46,693	-	-	1,200	47,893
Debt Service:					
Principal	101,677	-	-	145,000	246,677
Interest	-	-	-	130,985	130,985
<i>Total Cash Disbursements</i>	<u>8,639,518</u>	<u>-</u>	<u>136,459</u>	<u>2,609,171</u>	<u>11,385,148</u>
<i>Excess of Cash Receipts</i>					
<i>Over (Under) Cash Disbursements</i>	<u>1,214,783</u>	<u>41,927</u>	<u>(136,459)</u>	<u>285,655</u>	<u>1,405,906</u>
OTHER FINANCING SOURCES AND USES:					
Transfers In	-	-	150,000	-	150,000
Advances In	70,000	-	-	9,236	79,236
Proceeds from Sale of Capital Assets	336	-	-	1,975	2,311
Transfers Out	(150,000)	-	-	-	(150,000)
Advances Out	(9,236)	-	-	(70,000)	(79,236)
<i>Total Other Financing Sources and Uses</i>	<u>(88,900)</u>	<u>-</u>	<u>150,000</u>	<u>(58,789)</u>	<u>2,311</u>
<i>Net Change in Fund Balances</i>	1,125,883	41,927	13,541	226,866	1,408,217
<i>Fund Balances at Beginning of Year</i>	<u>4,429,799</u>	<u>1,305,632</u>	<u>1,138,678</u>	<u>1,181,893</u>	<u>8,056,002</u>
<i>Fund Balances at End of Year</i>	<u>\$ 5,555,682</u>	<u>\$ 1,347,559</u>	<u>\$ 1,152,219</u>	<u>\$ 1,408,759</u>	<u>\$ 9,464,219</u>

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

Oak Hill Union Local School District
Statement of Cash Receipts, Disbursements, and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Receipts and Other Sources	\$ 9,569,628	\$ 9,924,637	\$ 9,924,637	\$ -
Total Disbursements and Other Uses	<u>9,549,620</u>	<u>8,959,976</u>	<u>8,959,973</u>	<u>3</u>
Net Change in Fund Balance	20,008	964,661	964,664	(3)
Fund Balance at Beginning of Year	4,228,898	4,228,898	4,228,898	-
Prior Year Encumbrances Appropriated	<u>200,901</u>	<u>200,901</u>	<u>200,901</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 4,449,807</u>	<u>\$ 5,394,460</u>	<u>\$ 5,394,463</u>	<u>\$ (3)</u>

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

Oak Hill Union Local School District
Statement of Cash Receipts, Disbursements, and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
SEVERANCE FUND
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Receipts and Other Sources	\$ 100,000	\$ 150,000	\$ 150,000	\$ -
Total Disbursements and Other Uses	<u>103,000</u>	<u>136,459</u>	<u>136,459</u>	<u>-</u>
Net Change in Fund Balance	(3,000)	13,541	13,541	-
Fund Balance at Beginning of Year	<u>1,138,678</u>	<u>1,138,678</u>	<u>1,138,678</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,135,678</u>	<u>\$ 1,152,219</u>	<u>\$ 1,152,219</u>	<u>\$ -</u>

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

Oak Hill Union Local School District
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
June 30, 2008

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ 477,532	\$ 41,858
	<u> </u>	<u> </u>
NET ASSETS:		
Restricted for Other Purposes	\$ 445,221	\$ -
Held in Trust for Scholarships	32,311	-
Unrestricted	-	41,858
	<u> </u>	<u> </u>
<i>Total Net Assets</i>	<u>\$ 477,532</u>	<u>\$ 41,858</u>

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

Oak Hill Union Local School District
Statement of Changes in Fiduciary Net Assets - Cash Basis
Fiduciary Fund
June 30, 2008

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 570
Interest	<u>20,756</u>
Total Additions	21,326
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>8,000</u>
Change in Net Assets	13,326
Net Assets Beginning of Year	<u>464,206</u>
Net Assets End of Year	<u><u>\$ 477,532</u></u>

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

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the Entity

Oak Hill Union Local School District, Jackson County (the “School District”) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and/or local guidelines.

The School District is staffed by 92 certificated employees and 50 non-certificated employees who provide services to 1,301 students.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Oak Hill Union Local School, this includes general operations, food service and student related activities.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) The School District is able to significantly influence the programs or services performed or provided by the organization; or (2) The School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. There are no component units of the School District. The School District is associated with the Gallia Jackson Vinton Joint Vocational School District and the South Central Ohio Computer Association, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers’ Compensation Group Rating Program which is defined as an insurance purchasing pool. These organizations are presented in Notes 10 and 11.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The School District’s accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The following are the School District’s major governmental funds:

General Fund

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

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

State Share Building Fund Expenses Capital Projects Fund

This fund accounts for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of buildings.

Severance Special Revenue Fund

This fund accounts for monies accumulated for paying termination benefits.

The other governmental funds of the District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

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 net assets) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District has two fiduciary funds: a private purpose trust fund used to account for college scholarship donations and an agency fund used to account for student activity programs.

Basis of Presentation

The School District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The School 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 that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets-cash basis presents the cash basis financial condition of governmental activities of the School District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the School District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the School District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the School District.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Cash Receipts – Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Budgetary Process

Budget

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

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process - continued

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

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. Adoption of a tax budget has been waived by the County Budget Commission.

Estimated Resources

The County Budget Commission certifies its actions to the School District by September 1. As part of this certification, the School District receives the official certificate of estimated resources that states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2007 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2008. School District funds are maintained in two checking accounts. Individual fund balance integrity is maintained through the School District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to School Boards policy. For fiscal year 2008, interest receipts amounted to \$280,650 of which \$238,723 was recorded in the General Fund and \$41,927 was recorded in the State Share Building Fund Expenses Fund.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets acquired or constructed for the School District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the basic financial statements.

Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

Long-Term Obligations

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid. Long-term obligations are not recorded as liabilities in the basic financial statements under the cash basis of accounting.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for textbooks and instructional materials, and budget stabilization.

Fund Balance Reserves

The School District records reservations for portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, textbooks and instructional materials, and budget stabilization.

Net Assets

Net cash assets represent the cash assets held by the School District at year end. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available.

As of June 30, 2008, of the School District's \$4,120,991 restricted net assets, \$1,152,219 was restricted by enabling legislation.

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements 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 cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated. Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies can be invested or deposited in the following securities:

- A. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written purchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (A) or (B) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- G. The State Treasurer's investment pool (STAR Ohio);
- H. Securities lending agreements in which the School District lends securities and the eligible institution agrees to exchange either securities described in division (A) or (B) or cash or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio;
- J. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the School District's interim monies available for investment; and
- K. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. The School District maintains a cash pool which is used by all funds.

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of June 30, 2008, the School District's bank balance of \$10,165,656 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

NOTE 4- BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. The table below presents those differences for the School District's General and Severance major funds:

	<u>General Fund</u>	<u>Severance Fund</u>
Budgetary Basis Fund Balance	\$ 5,394,463	\$ 1,152,219
Encumbrances	161,219	-
Fund Cash Balance	\$ 5,555,682	\$ 1,152,219

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

**Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008**

NOTE 5 - PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal taxes received in calendar year 2008 became a lien December 31, 2007, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007.

Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$67,665,630	72.55%	\$68,345,251	73.38%
Public Utility	21,305,100	22.84%	21,747,500	23.35%
Tangible Personal Property	4,296,729	4.61%	3,043,736	3.27%
Total Assessed Value	<u>\$93,267,459</u>	<u>100.00%</u>	<u>\$93,136,487</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$27.33		\$27.33	

The School District receives property taxes from Jackson County and Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 6 - DEBT OBLIGATIONS

The School District's long-term obligations at June 30, 2008 were as follows:

Debt	Beginning Balance 6/30/2007	Additions	Payments	Ending Balance 6/30/2008	Due in One Year
1999 Classroom Facilities G.O. Bonds, 4.45%-5.65%	\$ 820,000	\$ -	\$ 115,000	\$ 705,000	\$ 125,000
2006 G.O. Classroom Facilities Refunding Bonds, 4.19% *	2,140,000	-	30,000	2,110,000	35,000
2003 Ohio School Facilities Hardship Loan, 0%	152,517	-	101,677	50,840	50,840
Total	<u>\$ 3,112,517</u>	<u>\$ -</u>	<u>\$ 246,677</u>	<u>\$ 2,865,840</u>	<u>\$ 210,840</u>

* The June 30, 2007 balance of the 2006 general obligation bonds classroom facilities refunding bonds has been restated to reflect a payment of \$45,000 made during fiscal year 2007 that was not previously shown. Since the School District reports on the cash basis of accounting, there was no effect on the basic financial statements.

On December 27, 1999, the School District issued \$3,677,000 in voted general obligation bonds for constructing, renovating, and adding to buildings; furnishing and equipping such buildings; and improving School District sites. The debt will be repaid from the debt service fund. On October 11, 2006, the School District issued \$2,185,000 in classroom facilities general obligation refunding bonds. The proceeds were used to defease a large portion of the 1999 classroom facilities general obligation bonds. The interest rate is 4.19% and the debt matures in 2022. The debt will be repaid from the debt service fund.

On March 26, 2003, the School District issued a \$508,387 Ohio School Facilities Hardship Loan for the constructing, renovating, and adding to buildings; furnishing and equipping such buildings; and improving School District sites. The debt will be repaid from the general fund.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 6 - DEBT OBLIGATIONS (Continued)

The annual requirements to amortize debt outstanding as of June 30, 2008 are as follows:

1999 Classroom Facilities Bonds				2006 Classroom Facilities Refunding Bonds			
Year Ending	Principal	Interest	Total	Year Ending	Principal	Interest	Total
June 30				June 30			
2009	\$ 125,000	\$ 45,825	\$ 170,825	2009	\$ 35,000	\$ 81,800	\$ 116,800
2010	130,000	37,700	167,700	2010	35,000	80,400	115,400
2011	140,000	29,250	169,250	2011	35,000	79,000	114,000
2012	150,000	20,150	170,150	2012	40,000	77,600	117,600
2013	160,000	10,400	170,400	2013	40,000	76,000	116,000
2014-2018	-	-	-	2014-2018	700,000	343,200	1,043,200
2019-2023	-	-	-	2019-2023	1,225,000	151,000	1,376,000
Total	<u>\$ 705,000</u>	<u>\$ 143,325</u>	<u>\$ 848,325</u>	Total	<u>\$2,110,000</u>	<u>\$ 889,000</u>	<u>\$2,999,000</u>

Ohio School Facilities Hardship Loan				Total			
Year Ending	Principal	Interest	Total	Year Ending	Principal	Interest	Total
June 30				June 30			
2009	\$ 50,840	\$ -	\$ 50,840	2009	\$ 210,840	\$ 127,625	\$ 389,305
2010	-	-	-	2010	165,000	118,100	283,100
2011	-	-	-	2011	175,000	108,250	283,250
2012	-	-	-	2012	190,000	97,750	287,750
2013	-	-	-	2013	200,000	86,400	286,400
2014-2018	-	-	-	2014-2018	700,000	343,200	1,043,200
2019-2023	-	-	-	2019-2023	1,225,000	151,000	1,376,000
Total	<u>\$ 50,840</u>	<u>\$ -</u>	<u>\$ 50,840</u>	Total	<u>\$2,865,840</u>	<u>\$ 1,032,325</u>	<u>\$3,898,165</u>

The School District's overall legal debt margin was \$6,214,251 with an unvoted debt margin of \$93,136 at June 30, 2008.

NOTE 7 – RISK MANAGEMENT

The School 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. During the fiscal year ended June 30, 2008 the School District contracted with Ohio School Plan for property insurance and inland marine coverage.

Professional and general liability is protected by Ohio School Plan with a \$1,000,000 single occurrence limit with \$3,000,000 aggregate and no deductible. Vehicles are also covered by Ohio School Plan. Vehicle liability had a \$2,000,000 combined single limit of liability. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years. There have been no significant reductions in coverage from the prior year.

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

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 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, www.ohsers.org, under *Forms and Publications*.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.82% of annual covered salary was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the years ended June 30, 2008, 2007, and 2006 were \$165,948, \$173,820, and \$152,400, respectively, which represents the required annual contribution for each year.

State Teachers Retirement System

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 provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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.

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. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit 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 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of 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.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System (Continued)

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.

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 a equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, 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 Defined Benefit Plan participants.

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

A Defined Benefit 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 these active 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 Defined Benefit 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.

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.

For fiscal year 2008 plan members are required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$591,168, \$539,683, and \$508,452, respectively, which represents the required annual contribution for each year.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, five members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The School District provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers 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 pay a portion of the health care cost in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. The 14% employer contribution rate is the maximum rate established under Ohio law. Of the 14% employer contribution rate was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. For the School District, this amount equaled \$42,908 for fiscal year 2008.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status. SERS administers two post-employment 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 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 2008 was \$96.40; 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 2008, the actuarially required allocation was 0.66%. For the School District, contributions for the year ended June 30, 2008 were \$7,823, which equaled the required contributions for the year.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

Health Care Plan

Ohio Revised Code 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 Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment 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 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest available), was 11.50 percent 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.

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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$72,716.

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 upon 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 under *Forms and Publications*.

Net health care costs for the year ending June 30, 2007 (the latest information available) were \$127,615,614. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was \$386.4 million. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claims costs. The number of participants eligible to receive benefits was 55,818.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. 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 school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA \$98,848 for services provided during the year. Financial information for SCOCA can be obtained from their fiscal agent, Pike County Joint Vocational School, District, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

Gallia-Jackson Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a Board of Education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Joint Vocational School is not dependent on the School District's continued participation and no equity interest exists. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

NOTE 11 – INSURANCE PURCHASING POOLS

Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 12 – STATUTORY RESERVES

The School District is required by the state law 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 fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. Prior to April 10, 2001 the School District was required to set aside money for budget stabilization. After April 10, 2001, the School District was able to choose the distribution of the budget reserves. With a resolution from the Board of Education, the School District could return the balance to the General Fund, leave it in the reserve account or use it for the district’s portion of basic project costs for any School Facilities Commission project. The School District left the balance in the reserve account. The following information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by the State.

	Textbook	Capital Acquisition*	Budget Stabilization
Set-Aside Reserve Balances as of June 30, 2007	\$ 210,044	\$ (3,791,278)	\$ 40,068
Current Year Set-Aside Requirement	195,213	195,213	-
Current Year Offsets	-	(36,431)	-
Qualifying Disbursements	(232,871)	(212,215)	-
Set-Aside Balance Carried Forward to Future Fiscal Years	172,386	(3,844,711)	40,068
Set-Aside Reserve Balance as of June 30, 2008	\$ 172,386	\$ -	\$ 40,068

*The beginning set-aside reserve balance was restated for the capital acquisition reserve to properly show offsets for securities issued for capital improvements.

The School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amount to below zero. Amounts not spent by the year-end or offset by similarly restricted resources received during the year can be held in cash at year-end and carried forward to be used for the same purpose in future years.

NOTE 13 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008**

NOTE 14 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2008, were as follows:

Fund:	Transfer To:	Transfer From:
General Fund	\$ -	\$ 150,000
Major Special Revenue Fund:		
Severance Fund	150,000	-
Total	<u>\$ 150,000</u>	<u>\$ 150,000</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Interfund Advances

Advances made during the year ended June 30, 2008, were as follows:

Fund:	Advance To:	Advance From:
Major Fund:		
General Fund	\$ 70,000	\$ 9,236
Total Major Fund	70,000	9,236
Non-Major Capital Projects Fund:		
Permanent Improvement	-	70,000
Total Non-Major Capital Projects Fund	-	70,000
Non-Major Special Revenue Funds:		
Title I	4,617	-
Title V Innovative Programs	1,053	-
Title II	3,566	-
Total Non-Major Special Revenue Funds	<u>9,236</u>	<u>-</u>
Total All Funds	<u>\$ 79,236</u>	<u>\$ 79,236</u>

Advances to the General Fund are for repayments of outstanding advances from prior years. The General Fund made advances to the Title I, Title V Innovative Programs and Title II Funds of the School District in anticipation of grant monies to be received by these funds.

NOTE 15 – COMPLIANCE

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is not in compliance with Ohio law.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
June 30, 2008

NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year 2008, the School District implemented GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. GASB Statement No. 48 establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

Oak Hill Union Local School District
Jackson County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU	10.553	\$ 103,588	\$ -	\$ 103,588	\$ -
National School Lunch Program	LLP4	10.555	216,694		216,694	
Total - Nutrition Cluster			320,282	-	320,282	-
Food Distribution Program	NA	10.550	-	21,873	-	21,873
Total United States Department of Agriculture			320,282	21,873	320,282	21,873
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	6BSF	84.027	334,426	-	335,152	-
Special Education - Preschool Grants	DRS1	84.173	2,038	-	2,038	-
Total Special Education Cluster			336,464	-	337,190	-
Title I Grants to States	C1S1	84.010	423,802	-	439,505	-
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	9,736	-	9,369	-
State Grants for Innovative Programs	C2S1	84.298	197	-	1,028	-
Education Technology State Grants	TJS1	84.318	4,536	-	4,484	-
Rural Education	RUS1	84.358	38,833	-	39,854	-
Improving Teacher Quality State Grants	TRS1	84.367	82,642	-	84,687	-
Total Passed through Ohio Department of Education			559,746	-	578,927	-
Total United States Department of Education			896,210	-	916,117	-
Total Federal Financial Assistance			\$ 1,216,492	\$ 21,873	\$ 1,236,399	\$ 21,873

NA = Pass through entity number could not be located.
See Notes to the Schedule of Federal Awards Expenditures.

Oak Hill Union Local School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTIONS

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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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*

Oak Hill Union Local School District
Jackson County
205 Western Avenue
Oak Hill, Ohio 45656

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oak Hill Union Local School District, Jackson County (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 31, 2008 in which we noted that the School District adopted Governmental Accounting Standards Board Statement No. 45, No. 48 and Statement No. 50. We also noted that the School District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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 School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial misstatement.

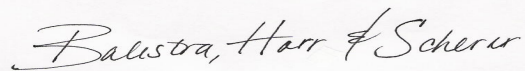
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2008-001.

The School 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 School District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.

October 31, 2008

BALESTRA, HARR & SCHERER, CPAs, INC.

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Oak Hill Union Local School District
Jackson County
205 Western Avenue
Oak Hill, Ohio 45656

Compliance

We have audited the compliance of the Oak Hill Union Local School District, Jackson County (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The School District's major federal program is 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 its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

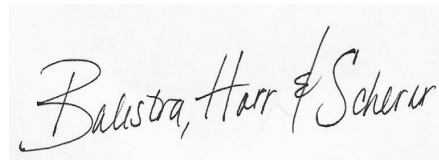
The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the 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 an 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 School District's internal control over compliance.

A control deficiency in an entity'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 entity'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 entity'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 entity's internal control.

Our consideration of the 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.

This report is intended solely for the information and use of management, Members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.

October 31, 2008

OAK HILL UNION LOCAL SCHOOL DISTRICT
 JACKSON COUNTY
 JUNE 30, 2008

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

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster, CFDA # 10.553 & # 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 2008

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

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

Finding Number 2008-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Client Response

The School District officials do not believe that preparing financial statements in accordance with generally accepted accounting principles was cost beneficial.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	A noncompliance citation was Issued for Ohio Revised Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B), for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected: The School District's officials did not believe that preparing financial Statements in accordance with generally accepted accounting principles was cost beneficial. Reissued as Finding Number 2008-001.



Mary Taylor, CPA
Auditor of State

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2009