

Oak Hill Union Local School District

Jackson County

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St., P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





Mary Taylor, CPA  
Auditor of State

Board of Education  
Oak Hill Union Local School District  
206 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, 2006 through June 30, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 5, 2007

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Oak Hill Union Local School District

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## Balestra, Harr & Scherer, CPAs, Inc.

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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 District), Jackson County, Ohio, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

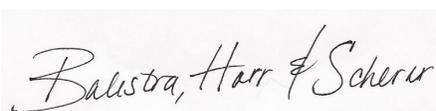
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2007, and the respective changes 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 August 24, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 24, 2007

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
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, 2007, 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 2007 are as follows:**

- Net assets of governmental activities increased \$1,130,024.
- General cash receipts accounted for \$8,821,964 or 59% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$3,652,307 or 25% of all cash receipts. Special items included cash receipts for refunding bonds issued of \$2,185,000 and a premium on refunding bonds of \$255,560. Total cash receipts from special items, \$2,440,560 were 16% of total cash receipts of \$14,914,831.
- The School District had \$13,784,807 in cash disbursements related to governmental activities; of these cash disbursements, \$2,383,498 was a payment to the refunded bond escrow agent and \$54,411 was refunding bond issuance costs. Of the remaining \$11,346,898, only \$3,652,307 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 generally accepted accounting principles. 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, 2007*  
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 2007, 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 than 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, 2007*  
 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 2007 compared to 2006.

Table 1  
 Net Assets

	Governmental Activities	
	2007	2006 *
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 7,805,890	\$ 6,667,642
Restricted Cash and Cash Equivalents	250,112	258,336
Total Assets	8,056,002	6,925,978
Net Assets		
Restricted	5,014,993	3,348,502
Unrestricted	3,041,009	3,577,476
Total Net Assets	\$ 8,056,002	\$ 6,925,978

\* Net assets for fiscal year 2006 have been restated. See Note 3 of the Notes to the Basic Financial Statements for more detail on the restatement of beginning net assets for fiscal year 2007.

Total assets of the District as a whole increased \$1,130,024. This increase is primarily the result of reductions in capital outlay disbursements which were partially offset by reductions in capital grants and contributions.

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2007  
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2007 and 2006.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2007	2006 *
<b>Cash Receipts</b>		
Program Cash Receipts:		
Charges for Services and Sales	\$ 845,410	\$ 820,573
Operating Grants and Contributions	2,750,287	2,785,599
Capital Grants and Contributions	56,610	1,089,431
Total Program Cash Receipts	<u>3,652,307</u>	<u>4,695,603</u>
General Cash Receipts:		
Property Taxes	2,324,610	2,194,534
Grants and Entitlements, Not Restricted to Specific Programs	6,079,516	6,018,412
Investment Earnings	338,083	205,346
Gifts and Donations, Not Restricted to Specific Programs	500	500
Proceeds from Sale of Capital Assets	40,057	126,250
Miscellaneous	39,198	58,374
Total General Cash Receipts	<u>8,821,964</u>	<u>8,603,416</u>
Total Cash Receipts	<u>12,474,271</u>	<u>13,299,019</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	4,718,107	4,523,486
Special	685,884	657,676
Vocational	60,004	60,166
Other	140,153	91,954
Support Services:		
Pupils	444,653	447,487
Instructional Staff	275,376	239,062
Board of Education	108,514	69,654
Administration	1,000,397	958,791
Fiscal	267,675	264,599
Operation and Maintenance of Plant	1,207,343	1,178,956
Pupil Transportation	984,422	893,432
Central	173,207	39,401
Operation of Non-Instructional Services	438,292	418,202
Extracurricular Activities	175,017	141,558
Capital Outlay	265,942	3,110,650
Debt Service:		
Principal	249,677	243,677
Interest and Fiscal Charges	152,235	180,600
Total Cash Disbursements	<u>11,346,898</u>	<u>13,519,351</u>
Change in Net Assets Before Special Items	1,127,373	(220,332)

(continued)

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
 Unaudited

	Governmental Activities	
	2007	2006 *
Special Items		
Refunding Bonds Issued	\$ 2,185,000	\$ -
Premium on Refunding Bonds	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	1,130,024	(220,332)
Net Assets, Beginning of Year - restated *	6,925,978	7,146,310
Net Assets, End of Year	\$ 8,056,002	\$ 6,925,978

\* Fiscal year 2006 has been restated. See Note 3 of the Notes to the Basic Financial Statements for more detail on the restatement.

Cash receipts decreased \$824,748. The most significant decreases in cash receipts were seen in capital grants and contributions due to the completion of the athletic stadium construction project. These decreases were partially offset by increases in cash receipts for property and other local taxes and investment earnings.

Cash disbursements decreased \$2,172,453, primarily due to a decrease in expenditures for capital outlay. This decrease was partially offset by increases in expenditures for regular instruction, pupil transportation and central support services.

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2007  
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

	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>	<u>Total Cost of Services 2006 *</u>	<u>Net Cost of Services 2006 *</u>
Program Cash Disbursements				
Instruction:				
Regular	\$ 4,718,107	\$ 3,406,637	\$ 4,523,486	\$ 3,110,636
Special	685,884	123,744	657,676	105,514
Vocational	60,004	56,588	60,166	56,446
Other	140,153	32,507	91,954	29,456
Support Services:				
Pupils	444,653	275,983	447,487	298,961
Instructional Staff	275,376	235,152	239,062	163,333
Board of Education	108,514	102,336	69,654	65,347
Administration	1,000,397	895,434	958,791	836,793
Fiscal	267,675	206,437	264,599	207,686
Operation and Maintenance of Plant	1,207,343	1,092,682	1,178,956	1,062,939
Pupil Transportation	984,422	486,924	893,432	383,972
Central	173,207	163,345	39,401	32,918
Operation of Non-Instructional Services	438,292	3,539	418,202	7,493
Extracurricular Activities	175,017	2,039	141,558	4,189
Capital Outlay	265,942	209,332	3,110,650	2,033,788
Debt Service:				
Principal	249,677	249,677	243,677	243,677
Interest and Fiscal Charges	152,235	152,235	180,600	180,600
Total	<u>\$11,346,898</u>	<u>\$ 7,694,591</u>	<u>\$ 13,519,351</u>	<u>\$ 8,823,748</u>

\* As restated – see Note 3 of the Notes to the Basic Financial Statements for more detail.

**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 \$15,066,369 and cash disbursements and other financing uses of \$13,936,345. The most significant change in fund balance was in the General fund.

The District's General fund cash fund balance increased by \$852,323 due primarily to increases in property tax, intergovernmental and interest cash receipts and decreases in advances out and transfers out, which were partially offset by increases in cash disbursements for regular instruction, pupil transportation and central support services.

The District's State Share Building Capital projects fund cash fund balance increased \$34,686 primarily due to decreases in cash disbursements for capital outlay due to the completion of the athletic stadium construction project.

The District's Severance Special Revenue fund cash fund balance increased by \$80,086 due to a transfer from the General fund of \$150,000, which was offset by cash disbursements of \$69,914.

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
 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 2007, revisions were made to the General fund budget. Revenues increased by \$246,837 from the original to final budget primarily due to property tax and interest revenues that were higher than anticipated. Appropriations decreased by \$576,131 from the original to final budget primarily due to expenditures for regular instruction, instructional staff support services, pupil transportation and various other functions that were lower than anticipated. The General fund's ending unobligated cash balance was \$4,228,898.

**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 \$265,942 during fiscal year 2007.

***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, 2007 the District had \$3,157,517 in bonds and related long-term debt for Governmental Activities. For additional information regarding debt, please see note 7 to the basic financial statements.

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>2007</u>	<u>2006</u>
1999 Classroom Facilities Bonds	\$820,000	\$3,115,000
2006 Classroom Facilities Refunding Bonds	2,185,000	0
OASBO School Pool	0	38,000
OSFC Hardship Loan	<u>152,517</u>	<u>254,194</u>
Totals	<u>\$3,157,517</u>	<u>\$3,407,194</u>

**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, 206 Western Avenue, Oak Hill, Ohio 45656.

**Oak Hill Union Local School District**  
**Statement of Net Assets - Cash Basis**  
**June 30, 2007**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 7,805,890
Restricted Cash and Cash Equivalents	250,112
<i>Total Assets</i>	8,056,002
<b>NET ASSETS:</b>	
Restricted for Debt Service	564,542
Restricted for Capital Outlay	1,501,941
Restricted for Severance	1,138,678
Restricted for Set-a-sides	250,112
Restricted for Other Purposes	1,559,720
Unrestricted	3,041,009
<i>Total Net Assets</i>	\$ 8,056,002

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, 2007**

	Program Cash Receipts			Net Disbursements and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 4,718,107	\$ 384,798	\$ 926,672	\$ -	\$ (3,406,637)
Special	685,884	59,218	502,922	-	(123,744)
Vocational	60,004	3,416	-	-	(56,588)
Other	140,153	19,080	88,566	-	(32,507)
Support Services:					
Pupils	444,653	41,285	127,385	-	(275,983)
Instructional Staff	275,376	18,414	21,810	-	(235,152)
Board of Education	108,514	6,178	-	-	(102,336)
Administration	1,000,397	62,310	42,653	-	(895,434)
Fiscal	267,675	15,152	46,086	-	(206,437)
Operation and Maintenance of Plant	1,207,343	70,909	43,752	-	(1,092,682)
Pupil Transportation	984,422	56,070	441,428	-	(486,924)
Central	173,207	9,862	-	-	(163,345)
Operation of Non-Instructional Services	438,292	70,597	364,156	-	(3,539)
Extracurricular Activities	175,017	28,121	144,857	-	(2,039)
Capital Outlay	265,942	-	-	56,610	(209,332)
Debt Service:					
Principal	249,677	-	-	-	(249,677)
Interest and Fiscal Charges	152,235	-	-	-	(152,235)
<i>Total Governmental Activities</i>	<u>\$ 11,346,898</u>	<u>\$ 845,410</u>	<u>\$ 2,750,287</u>	<u>\$ 56,610</u>	<u>(7,694,591)</u>
General Cash Receipts:					
Property Taxes Levied for:					
General Purposes					1,889,792
Other Purposes					39,055
Debt Service					395,763
Grants and Entitlements, Not Restricted to Specific Programs					6,079,516
Gifts and Donations, Not Restricted to Specific Programs					500
Investment Earnings					338,083
Proceeds from Sale of Assets					40,057
Miscellaneous					39,198
<i>Total General Cash Receipts</i>					<u>8,821,964</u>
<i>Change in Net Assets Before Special Items</i>					1,127,373
Special Items					
Refunding Bonds Issued					2,185,000
Premium on Refunding Bonds					255,560
Refunding Bond Issuance Costs					(54,411)
Payment to Refunded Bond Escrow Agent					(2,383,498)
<i>Total Special Items</i>					2,651
<i>Change in Net Assets</i>					1,130,024
<i>Net Assets Beginning of Year - restated *</i>					<u>6,925,978</u>
<i>Net Assets End of Year</i>					<u>\$ 8,056,002</u>

\* See Note 3 of the Notes to the Basic Financial Statements.  
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, 2007**

	<u>General</u>	<u>State Share Building Fund Expenses</u>	<u>Severance</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 4,179,687	\$ 1,305,632	\$ 1,138,678	\$ 1,181,893	\$ 7,805,890
Restricted Cash and Cash Equivalents	250,112	-	-	-	250,112
<i>Total Assets</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>
<b>FUND BALANCES:</b>					
Reserved:					
Reserved for Encumbrances	200,899	509,140	-	83,219	793,258
Reserved for Textbooks and Instructional Materials	210,044	-	-	-	210,044
Reserved for Budget Stabilization	40,068	-	-	-	40,068
Unreserved, Undesignated, Reported in:					
General Fund	3,978,788	-	-	-	3,978,788
Special Revenue Funds	-	-	1,138,678	337,823	1,476,501
Debt Service Funds	-	-	-	564,542	564,542
Capital Projects Funds	-	796,492	-	196,309	992,801
<i>Total Fund Balances</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>

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, 2007**

	<u>General</u>	<u>State Share Building Fund Expenses</u>	<u>Severance</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH RECEIPTS:</b>					
Property Taxes	\$ 1,889,792	\$ -	\$ -	\$ 434,818	\$ 2,324,610
Intergovernmental	6,862,867	-	-	1,952,286	8,815,153
Interest	281,442	56,641	-	-	338,083
Tuition and Fees	472,051	-	-	-	472,051
Extracurricular Activities	-	-	-	213,794	213,794
Gifts and Donations	500	-	-	71,260	71,760
Customer Sales and Services	-	-	-	159,565	159,565
Miscellaneous	37,704	-	-	1,494	39,198
<i>Total Cash Receipts</i>	<u>9,544,356</u>	<u>56,641</u>	<u>-</u>	<u>2,833,217</u>	<u>12,434,214</u>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,602,779	-	69,914	1,045,414	4,718,107
Special	492,260	-	-	193,624	685,884
Vocational	60,004	-	-	-	60,004
Other	33,556	-	-	106,597	140,153
<b>Support Services:</b>					
Pupils	291,334	-	-	153,319	444,653
Instructional Staff	249,126	-	-	26,250	275,376
Board of Education	108,514	-	-	-	108,514
Administration	949,061	-	-	51,336	1,000,397
Fiscal	249,011	-	-	18,664	267,675
Operation and Maintenance of Plant	1,096,333	-	-	111,010	1,207,343
Pupil Transportation	984,270	-	-	152	984,422
Central	173,207	-	-	-	173,207
Operation of Non-Instructional Services	-	-	-	438,292	438,292
Extracurricular Activities	669	-	-	174,348	175,017
Capital Outlay	114,663	21,955	-	129,324	265,942
<b>Debt Service:</b>					
Principal	139,677	-	-	110,000	249,677
Interest	-	-	-	152,235	152,235
Refunding Bond Issuance Costs	-	-	-	54,411	54,411
<i>Total Cash Disbursements</i>	<u>8,544,464</u>	<u>21,955</u>	<u>69,914</u>	<u>2,764,976</u>	<u>11,401,309</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>999,892</u>	<u>34,686</u>	<u>(69,914)</u>	<u>68,241</u>	<u>1,032,905</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Transfers In	-	-	150,000	-	150,000
Advances In	1,538	-	-	-	1,538
Proceeds from Sale of Capital Assets	893	-	-	39,164	40,057
Refunding Bonds Issued	-	-	-	2,185,000	2,185,000
Premium on Refunding Bonds Issued	-	-	-	255,560	255,560
Payment to Refunded Bond Escrow Agent	-	-	-	(2,383,498)	(2,383,498)
Transfers Out	(150,000)	-	-	-	(150,000)
Advances Out	-	-	-	(1,538)	(1,538)
<i>Total Other Financing Sources and Uses</i>	<u>(147,569)</u>	<u>-</u>	<u>150,000</u>	<u>94,688</u>	<u>97,119</u>
<i>Net Change in Fund Balances</i>	852,323	34,686	80,086	162,929	1,130,024
<i>Fund Balances at Beginning of Year</i>	<u>3,577,476</u>	<u>1,270,946</u>	<u>1,058,592</u>	<u>1,018,964</u>	<u>6,925,978</u>
<i>Fund Balances at End 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>

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, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Receipts and Other Sources	\$ 9,299,950	\$ 9,546,787	\$ 9,546,787	\$ -
Total Disbursements and Other Uses	<u>9,471,487</u>	<u>8,895,356</u>	<u>8,895,363</u>	<u>(7)</u>
Net Change in Fund Balance	(171,537)	651,431	651,424	7
Fund Balance at Beginning of Year	3,300,164	3,300,164	3,300,164	-
Prior Year Encumbrances Appropriated	<u>277,310</u>	<u>277,310</u>	<u>277,310</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 3,405,937</u>	<u>\$ 4,228,905</u>	<u>\$ 4,228,898</u>	<u>\$ 7</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, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Receipts and Other Sources	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Total Disbursements and Other Uses	<u>500,000</u>	<u>69,913</u>	<u>69,914</u>	<u>(1)</u>
Net Change in Fund Balance	(350,000)	80,087	80,086	1
Fund Balance at Beginning of Year	<u>1,058,592</u>	<u>1,058,592</u>	<u>1,058,592</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 708,592</u>	<u>\$ 1,138,679</u>	<u>\$ 1,138,678</u>	<u>\$ 1</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, 2007**

	<b>Private Purpose Trust Fund</b>	<b>Agency Fund</b>
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 464,206	\$ 41,596
	<u>          </u>	<u>          </u>
<b>NET ASSETS:</b>		
Restricted for Other Purposes	\$ 445,221	\$ -
Held in Trust for Scholarships	18,985	-
Unrestricted	-	41,596
	<u>          </u>	<u>          </u>
<i>Total Net Assets</i>	<u>\$ 464,206</u>	<u>\$ 41,596</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, 2007**

	<b><u>Private Purpose Trust Fund</u></b>
<b>ADDITIONS:</b>	
Gifts and Contributions	\$ 7,000
Interest	19,735
Total Additions	<u>26,735</u>
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>7,750</u>
Change in Net Assets	18,985
Net Assets Beginning of Year	<u>445,221</u>
Net Assets End of Year	<u><u>\$ 464,206</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, 2007**

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**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 88 certificated employees and 51 non-certificated employees who provide services to 1,289 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 11 and 12.

**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, 2007**

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**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, 2007**

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**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 GASB #34 for reporting cash basis. This is a comprehensive basis of accounting other than GAAP. 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, 2007**

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**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, 2006 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, 2007. School District funds are maintained in one checking account. 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 Board's policy. For fiscal year 2007, interest receipts amounted to \$338,083 of which \$281,442 was recorded in the General Fund and \$56,641 was recorded in the State Share Building Fund Expenses Fund.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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**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 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.

**Unamortized Bond Issuance Costs/Bond Premium**

Under the cash basis of accounting, the School District does not report bond issuance costs and bond premiums as assets or liabilities in the accompanying cash basis financial statements. During fiscal year 2007, the School District issued refunding bonds in the amount of \$2,185,000 with a premium of \$255,560 and issuance costs of \$54,411.

**Special Items**

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Activity related to the above-mentioned refunding bonds was reported as special items.

**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, 2007, of the School District's \$4,764,881 restricted net assets, \$1,138,678 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, 2007**

**NOTE 3 – RESTATEMENT OF NET ASSETS/FUND BALANCES**

For fiscal year 2007, the School District has reclassified the Scholarship Trust Fund from a special revenue fund to a private-purpose trust fund. The Permanent Improvement capital projects fund has also been reclassified from a major fund to a non-major fund. These reclassifications had the following effect on net assets and fund balances as previously stated:

	<u>General</u>	<u>Permanent Improvement</u>	<u>State Share Building Fund Expenses</u>	<u>Severance</u>	<u>All Other Governmental Funds</u>	<u>Total</u>
Fund Balances, June 30, 2006	\$ 3,577,476	\$ 163,886	\$ 1,270,946	\$ 1,058,592	\$ 1,300,299	\$ 7,371,199
Reclassification of fund from Special Revenue to Private Purpose Trust	-	0	-	-	(445,221)	(445,221)
Change in Major Funds	-	(163,886)	-	-	163,886	-
Restated Fund Balances, June 30, 2006	<u>\$ 3,577,476</u>	<u>\$ -</u>	<u>\$ 1,270,946</u>	<u>\$ 1,058,592</u>	<u>\$ 1,018,964</u>	<u>\$ 6,925,978</u>
Net Assets, June 30, 2006		<u>Governmental Activities</u>	<u>Private Purpose Trust Fund</u>			
		\$ 7,371,199	\$ -			
Reclassification of fund from Special Revenue to Private Purpose Trust		(445,221)	445,221			
Restated Net Assets, June 30, 2006		<u>\$ 6,925,978</u>	<u>\$ 445,221</u>			

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School 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;

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

- 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' acceptance and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; 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.

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 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.

**Oak Hill Union Local School District  
Notes to the Basic Financial Statements  
June 30, 2007**

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**NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)**

**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% 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 collateral of public funds.

As of June 30, 2007, the School District's bank balance of \$8,720,138 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

**NOTE 5 - 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 Special Revenue major funds:

	<u>General Fund</u>	<u>Severance Fund</u>
Budgetary Basis Fund Balance	\$ 4,228,900	\$ 1,138,678
Encumbrances	200,899	-
Fund Cash Balance	<u>\$ 4,429,799</u>	<u>\$ 1,138,678</u>

**NOTE 6 - 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, 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.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006.

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.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**NOTE 6 - PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$66,702,510	72.87%	\$67,665,630	72.55%
Public Utility	19,377,300	21.17%	21,305,100	22.84%
Tangible Personal Property	5,459,323	5.96%	4,296,729	4.61%
Total Assessed Value	<u>\$91,539,133</u>	<u>100.00%</u>	<u>\$93,267,459</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. 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NOTE 7 - DEBT OBLIGATIONS**

The School District's long-term obligations at June 30, 2007 were as follows:

Debt	Beginning Balance 6/30/2006	Additions	Payments	Ending Balance 6/30/2007	Due in One Year
1999 Classroom Facilities G.O. Bonds, 4.45%-5.65%	\$ 3,115,000	\$ -	\$ 2,295,000	\$ 820,000	\$ 115,000
2006 G.O. Classroom Facilities Refunding Bonds, 4.19%	-	2,185,000	-	2,185,000	-
2002 OASBO School Pool Bus Debt, 5.375%	38,000	-	38,000	-	-
2003 Ohio School Facilities Hardship Loan, 0%	254,194	-	101,677	152,517	101,677
Total	<u>\$ 3,407,194</u>	<u>\$ 2,185,000</u>	<u>\$ 2,434,677</u>	<u>\$ 3,157,517</u>	<u>\$ 216,677</u>

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. The aggregate difference in debt service between the refunding debt and the refunded debt is \$185,991. The economic gain on the transaction is \$132,412.

On April 4, 2002, the School District issued \$177,000 in debt for the purchase of school buses and related equipment in connection with OASBO expended asset pooled financing program. The notes were issued for a period of four and three-quarter years. This debt was repaid from the general fund.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

**NOTE 7 - DEBT OBLIGATIONS (Continued)**

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.

The annual requirements to amortize debt outstanding as of June 30, 2007 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			
2008	\$ 115,000	\$ 51,345	\$ 166,345	2008	\$ -	\$ 121,563	\$ 121,563
2009	125,000	45,825	170,825	2009	-	121,562	121,562
2010	130,000	37,700	167,700	2010	-	121,563	121,563
2011	140,000	29,250	169,250	2011	-	121,562	121,562
2012	150,000	20,150	170,150	2012	-	121,563	121,563
2013-2017	160,000	10,400	170,400	2013-2017	740,000	551,678	1,291,678
2018-2022	-	-	-	2018-2022	1,170,000	282,960	1,452,960
2023	-	-	-	2023	275,000	15,537	290,537
Total	<u>\$ 820,000</u>	<u>\$ 194,670</u>	<u>\$ 1,014,670</u>	Total	<u>\$ 2,185,000</u>	<u>\$ 1,457,988</u>	<u>\$ 3,642,988</u>

Ohio School Facilities Hardship Loan				Total			
Year Ending	Principal	Interest	Total	Year Ending	Principal	Interest	Total
June 30				June 30			
2008	\$ 101,677	\$ -	\$ 101,677	2008	\$ 216,677	\$ 172,908	\$ 491,262
2009	50,840	-	50,840	2009	175,840	167,387	394,067
2010	-	-	-	2010	130,000	159,263	289,263
2011	-	-	-	2011	140,000	150,812	290,812
2012	-	-	-	2012	150,000	141,713	291,713
2013-2017	-	-	-	2013-2017	900,000	562,078	1,462,078
2018-2022	-	-	-	2018-2022	1,170,000	282,960	1,452,960
2023	-	-	-	2023	275,000	15,537	290,537
Total	<u>\$ 152,517</u>	<u>\$ -</u>	<u>\$ 152,517</u>	Total	<u>\$ 3,157,517</u>	<u>\$ 1,652,658</u>	<u>\$ 4,810,175</u>

The School District's overall legal debt margin was \$5,801,096 with an unvoted debt margin of \$93,267 at June 30, 2007.

**NOTE 8 – 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, 2007 the School District contracted with Utica National Insurance Group for property insurance and inland marine coverage.

Professional and general liability is protected by Utica National Insurance Group with a \$1,000,000 single occurrence limit with \$2,000,000 aggregate and no deductible. Vehicles are also covered by Utica National Insurance Group. Vehicle liability had a \$1,000,000 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, 2007**

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800)878-5853, or visiting the SERS website at [ohsers.org](http://ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund health care benefits; for fiscal year 2006, 10.58% 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$173,820, \$152,400, and \$159,108, respectively. 47% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$61,195 represents the unpaid contribution for fiscal year 2007.

**State Teachers Retirement System**

The School District contributes to 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, to members and death and survivor benefits to 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 STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614)227-4090, or by visiting [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plan options, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB plan. 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.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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. 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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13% was the portion allocated to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13%. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$539,683, \$508,452 and \$478,380, respectively; 86% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. \$91,048 represents the unpaid contribution for fiscal year 2007.

**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, 2007, five members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the 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. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$42,891 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006 (the latest information available), net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2% of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$78,291.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2007**

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**NOTE 11 – 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 \$73,213 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 12 – 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, 2007**

**NOTE 13 – 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, 2006	\$ 218,268	\$ -	\$ 40,068
Set-Aside Balance Carried Forward from Previous Fiscal Years	-	(14,043)	-
Current Year Set-Aside Requirement	191,892	191,892	-
Qualifying Disbursements	(200,116)	(623,214)	-
Set-Aside Balance Carried Forward to Future Fiscal Years	210,044	(445,365)	40,068
Set-Aside Reserve Balance as of June 30, 2007	\$ 210,044	\$ -	\$ 40,068

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 14 – 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, 2007.

**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, 2007**

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**NOTE 14 – CONTINGENCIES (Continued)**

**C. Refund of Property Taxes**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a portion of their property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$55,010 per year. A portion of the refund may be recovered from additional State entitlement payments.

**NOTE 15 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2007, were as follows:

Fund:	Transfer <u>To:</u>	Transfer <u>From:</u>
General Fund	\$ 0	\$150,000
Major Special Revenue Fund:		
Severance Fund	<u>150,000</u>	<u>0</u>
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, 2007, were as follows:

Fund:	Advance <u>To:</u>	Advance <u>From:</u>
Major Fund:		
General Fund	<u>\$ 1,538</u>	<u>\$0</u>
Total Major Fund	1,538	0
Non-Major Special Revenue Funds		
School Support	0	690
Title V Innovative Programs	0	78
Preschool	<u>0</u>	<u>770</u>
Total Non-Major Special Revenue Funds	<u>0</u>	<u>1,538</u>
Total All Funds	<u>\$ 1,538</u>	<u>\$ 1,538</u>

Advances to the General Fund are for repayments of outstanding advances from prior years.

Oak Hill Union Local School District  
Jackson County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU	10.553	\$ 104,475	\$ -	\$ 104,475	\$ -
National School Lunch Program	LLP4	10.555	185,790		185,790	
Total - Nutrition Cluster			290,265	-	290,265	-
Food Distribution Program	NA	10.550	-	21,814	-	21,814
<b>Total United States Department of Agriculture</b>			<b>290,265</b>	<b>21,814</b>	<b>290,265</b>	<b>21,814</b>
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	6BSF	84.027	311,330	-	314,668	-
Special Education - Preschool Grants	DRS1	84.173	3,284	-	3,285	-
Total Special Education Cluster			314,614	-	317,953	-
Title I Grants to States	C1S1	84.010	387,508	-	384,530	-
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	7,334	-	6,746	-
Twenty-First Century Community Learning Centers	T1S1	84.287	-	-	4,347	-
State Grants for Innovative Programs	C2S1	84.298	1,981	-	1,981	-
Education Technology State Grants	TJS1	84.318	5,947	-	5,947	-
Rural Education	RUS1	84.358	31,318	-	27,981	-
Improving Teacher Quality State Grants	TRS1	84.367	102,309	-	97,910	-
Total Passed through Ohio Department of Education			851,011	-	847,395	-
<b>Total United States Department of Education</b>			<b>851,011</b>	<b>-</b>	<b>847,395</b>	<b>-</b>
<b>United States Department of Health and Human Services</b>						
<i>Passed through Ohio Department of Job and Family Services:</i>						
Temporary Assistance for Needy Families	NA	93.558	44,872	-	44,872	-
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	NA	93.778	5,513	-	5,513	-
<b>Total United States Department of Health and Human Services</b>			<b>50,385</b>	<b>-</b>	<b>50,385</b>	<b>-</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,191,661</b>	<b>\$ 21,814</b>	<b>\$ 1,188,045</b>	<b>\$ 21,814</b>

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, 2007

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**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 fair market 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.



**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 District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements 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 a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies 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 assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2007-001.

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

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

August 24, 2007



**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 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, 2007. The 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 District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

**Internal Control Over Compliance**

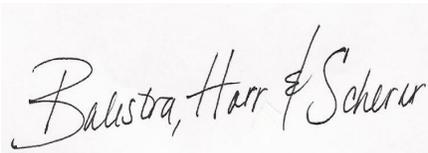
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

August 24, 2007

OAK HILL UNION LOCAL SCHOOL DISTRICT  
 JACKSON COUNTY  
 JUNE 30, 2007

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):	Title I, Grants to Local Agencies, CFDA#84.010
(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, 2007

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 2007-001**

**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, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	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 2007-001.



**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  
DECEMBER 18, 2007**