

Oak Hill Union Local School District  
Jackson County  
Single Audit  
July 1, 2005 through June 30, 2006  
Fiscal Year Audited Under GAGAS: 2006

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Oak Hill Union Local School District, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. 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

February 21, 2007

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**Oak Hill Union Local School District**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis.....	9
Statement of Activities – Cash Basis.....	10
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds.....	11
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – Severance Fund.....	14
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Fund.....	15
Notes to the Basic Financial Statements.....	16
Schedule of Federal Awards Expenditures.....	32
Notes to the Schedule of Federal Awards Expenditures.....	33
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	34
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	36
Schedule of Findings and Questioned Costs – OMB Circular A-133 .§ .505 .....	38
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b) .....	40
Corrective Action Plan .....	41

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Ohio Society of Certified Public Accountants

**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, 2006, 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, 2006, 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.

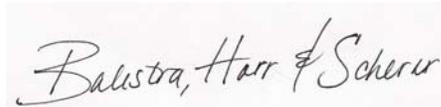
In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

As described in Note 3 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 46, "*Net Assets Restricted by Enabling Legislation*".

The management's discussion and analysis on pages 3 through 8 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.



Balestra, Harr & Scherer, CPAs, Inc.

December 15, 2006

# Oak Hill Union Local School District

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2006 Unaudited*

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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, 2006, 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 2006 are as follows:**

- Net assets of governmental activities decreased \$218,133.
- General cash receipts accounted for \$8,618,194 or 65% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$4,695,607 or 35% of total cash receipts of \$13,313,797.
- The School District had \$13,531,930 in cash disbursements related to governmental activities; only \$4,695,603 of these cash disbursements were 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, 2006*  
*Unaudited*

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**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 2006, 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 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, the Permanent Improvement fund and the State Share Building Fund Expenses Capital Projects fund.

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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, 2006*  
*Unaudited*

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**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 2006 compared to 2005.

Table 1  
Net Assets

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$7,112,863	\$7,267,411
Restricted Cash and Cash Equivalents	258,336	321,921
Total Assets	7,371,199	7,589,332
<b>Net Assets</b>		
Restricted	3,793,723	4,690,960
Unrestricted	3,577,476	2,898,372
Total Net Assets	\$7,371,199	\$7,589,332

Total assets of the District as a whole decreased \$218,133. This decrease is primarily the result of a decrease in cash of \$154,548 due to increased program cash disbursements.

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2006	2005
<b>Cash Receipts</b>		
Program Cash Receipts:		
Charges for Services and Sales	\$ 820,573	\$ 782,187
Operating Grants and Contributions	2,785,599	2,293,025
Capital Grants and Contributions	1,089,431	948,203
Total Program Cash Receipts	<u>4,695,603</u>	<u>4,023,415</u>
General Cash Receipts:		
Property and Other Local Taxes	2,194,534	1,973,773
Grants and Entitlements, Not Restricted to Specific Programs	6,018,412	5,830,050
Investment Earnings	220,124	209,322
Gifts and Donations, Not Restricted to Specific Programs	500	200
Proceeds from Sale of Capital Assets	126,250	288
Miscellaneous	58,374	181,295
Total General Cash Receipts	<u>8,618,194</u>	<u>8,194,928</u>
Total Cash Receipts	<u>13,313,797</u>	<u>12,218,343</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	4,523,986	4,146,198
Special	657,676	604,437
Vocational	60,166	62,028
Adult/Continuing	12,079	14,125
Other	91,954	-
Support Services:		
Pupils	447,487	411,624
Instructional Staff	239,062	367,200
Board of Education	69,654	54,440
Administration	958,791	972,394
Fiscal	264,599	231,496
Operation and Maintenance of Plant	1,178,956	1,040,339
Pupil Transportation	893,432	741,206
Central	39,401	42,247
Operation of Non-Instructional Services	418,202	416,182
Extracurricular Activities	141,558	176,664
Capital Outlay	3,110,650	2,788,048
Debt Service:		
Principal	243,677	236,677
Interest and Fiscal Charges	180,600	185,393
Total Cash Disbursements	<u>13,531,930</u>	<u>12,490,698</u>
Change in Net Assets	(218,133)	(272,355)
Net Assets, Beginning of Year	7,589,332	7,861,687
Net Assets, End of Year	<u>\$ 7,371,199</u>	<u>\$ 7,589,332</u>

**Oak Hill Union Local School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

The most significant increase in cash receipts was seen in gifts and donations, restricted to construction project which increased \$751,503, due to a donation received by the School District which was restricted to the Athletic Complex. This increase was offset; however, by increases in cash disbursements, primarily an increase of \$850,163 in cash disbursements for regular instruction due to increased costs.

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 2006</u>	<u>Net Cost of Services 2006</u>	<u>Total Cost of Services 2005</u>	<u>Net Cost of Services 2005</u>
Program Cash Disbursements				
Instruction:				
Regular	\$4,523,986	\$3,122,998	\$3,673,823	\$2,673,956
Special	657,676	105,514	604,437	207,874
Vocational	60,166	56,446	62,028	58,575
Adult/Continuing	12,079	217	14,125	1,513
Other	91,954	29,456	472,375	446,081
Support Services:				
Pupils	447,487	298,961	411,624	273,394
Instructional Staff	239,062	163,333	367,200	177,199
Board of Education	69,654	65,347	54,440	51,410
Administration	958,791	836,793	972,394	820,600
Fiscal	264,599	207,686	231,496	175,565
Operation and Maintenance of Plant	1,178,956	1,062,939	1,040,339	951,974
Pupil Transportation	893,432	383,972	741,206	270,629
Central	39,401	32,918	42,247	25,704
Operation of Non-Instructional Services	418,202	7,493	416,182	44,574
Extracurricular Activities	141,558	4,189	176,664	22,928
Capital Outlay	3,110,650	2,785,291	2,788,048	1,843,237
Debt Service:				
Principal	243,677	243,677	236,677	236,677
Interest and Fiscal Charges	180,600	180,600	185,393	185,393
<b>Total</b>	<u>\$13,531,930</u>	<u>\$9,587,830</u>	<u>\$12,490,698</u>	<u>\$8,467,283</u>

**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 \$14,384,345 and cash disbursements and other financing uses of \$14,602,478. The most significant change in fund balance was in the Permanent Improvement Capital Projects fund.

The District's General fund cash fund balance increased by \$679,104 due primarily to increases in property tax and intergovernmental cash receipts, which were partially offset by increases in cash disbursements for regular instruction.

The District's Permanent Improvement Capital Projects fund cash fund balance decreased by \$1,985,159 primarily due to expenditures for construction and renovation projects.

**Oak Hill Union Local School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

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The District's Severance Special Revenue fund cash fund balance increased by \$637,984 due to a transfer of \$730,000 from the General fund, which was offset by cash disbursements of \$92,016.

The District's State Share Building Capital projects fund cash fund balance increased \$295,651 primarily due to increases in revenue and decreases in cash disbursements for capital outlay due to the completion of construction projects.

***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 2006, revisions were made to the General fund budget. Appropriations decreased by \$1,101,541 from the original to final budget due to over budgeting for regular instruction by the School District. The General fund's ending unobligated cash balance was \$3,300,164.

**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 \$3,110,650 during fiscal year 2006.

***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, 2006 the District had \$3,407,194 in bonds and related long-term debt for Governmental Activities. For additional information regarding debt, please see note 6 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>2006</u>	<u>2005</u>
Classroom Facilities Bonds	\$3,115,000	\$3,220,000
OASBO School Pool	38,000	75,000
OSFC Hardship Loan	<u>254,194</u>	<u>355,871</u>
Totals	<u>\$3,407,194</u>	<u>\$3,650,871</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, 205 Western, Oak Hill, Ohio 45656.

**Oak Hill Union Local School District**  
*Statement of Net Assets - Cash Basis*  
**June 30, 2006**

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	<b>Governmental Activities</b>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 7,112,863
Restricted Cash and Cash Equivalents	<u>258,336</u>
<i>Total Assets</i>	<u>7,371,199</u>
NET ASSETS:	
Restricted for Debt Service	399,919
Restricted for Capital Outlay	1,559,156
Restricted for Other Purposes	1,834,648
Restricted for Set-a-sides	258,336
Unrestricted	<u>3,319,140</u>
<i>Total Net Assets</i>	<u><u>\$ 7,371,199</u></u>

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

**Oak Hill Union Local School District**  
**Statement of Activities - Cash Basis**  
**For the Fiscal Year Ended June 30, 2006**

	<u>Program Cash Receipts</u>			<b>Net Disbursements and Changes in Net Assets</b>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<b>Governmental Activities</b>
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 4,523,986	\$ 386,961	\$ 1,012,674	\$ 1,353	\$ (3,122,998)
Special	657,676	57,295	494,867	-	(105,514)
Vocational	60,166	3,720	-	-	(56,446)
Adult/Continuing	12,079	1,818	10,044	-	(217)
Other	91,954	11,162	51,336	-	(29,456)
Support Services:					
Pupils	447,487	39,319	109,207	-	(298,961)
Instructional Staff	239,062	20,657	55,072	-	(163,333)
Board of Education	69,654	4,307	-	-	(65,347)
Administration	958,791	65,335	56,663	-	(836,793)
Fiscal	264,599	16,195	40,718	-	(207,686)
Operation and Maintenance of Plant	1,178,956	69,992	34,809	11,216	(1,062,939)
Pupil Transportation	893,432	56,946	452,514	-	(383,972)
Central	39,401	2,827	3,656	-	(32,918)
Operation of Non-Instructional Services	418,202	62,949	347,760	-	(7,493)
Extracurricular Activities	141,558	21,090	116,279	-	(4,189)
Capital Outlay	3,110,650	-	-	1,076,862	(2,033,788)
Debt Service:					
Principal	243,677	-	-	-	(243,677)
Interest and Fiscal Charges	180,600	-	-	-	(180,600)
<b>Total Governmental Activities</b>	<b><u>\$ 13,531,930</u></b>	<b><u>\$ 820,573</u></b>	<b><u>\$ 2,785,599</u></b>	<b><u>\$ 1,089,431</u></b>	<b>(8,836,327)</b>
<b>General Cash Receipts:</b>					
Property Taxes Levied for:					
General Purposes					1,782,897
Other Purposes					38,359
Debt Service					373,278
Grants and Entitlements, Not Restricted to Specific Programs					6,018,412
Gifts and Donations, Not Restricted to Specific Programs					500
Investment Earnings					220,124
Proceeds from Sale of Capital Assets					126,250
Miscellaneous					58,374
<b>Total General Cash Receipts</b>					<b><u>8,618,194</u></b>
<b>Change in Net Assets</b>					<b>(218,133)</b>
<b>Net Assets Beginning of Year</b>					<b><u>7,589,332</u></b>
<b>Net Assets End of Year</b>					<b><u>\$ 7,371,199</u></b>

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, 2006**

	<u>General</u>	<u>Permanent Improvement</u>	<u>State Share Building Fund Expenses</u>	<u>Severance Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 3,319,140	\$ 163,886	\$ 1,270,946	\$ 1,058,592	\$ 1,300,299	\$ 7,112,863
Restricted Cash and Cash Equivalents	258,336	-	-	-	-	258,336
<i>Total Assets</i>	<u>\$ 3,577,476</u>	<u>\$ 163,886</u>	<u>\$ 1,270,946</u>	<u>\$ 1,058,592</u>	<u>\$ 1,300,299</u>	<u>\$ 7,371,199</u>
<b>FUND BALANCES:</b>						
<b>Reserved:</b>						
Reserved for Encumbrances	277,312	120,191	529,105	-	21,030	947,638
Reserved for Textbooks and Instructional Materials	218,268	-	-	-	-	218,268
Reserved for Budget Stabilization	40,068	-	-	-	-	40,068
<b>Unreserved, Undesignated, Reported in:</b>						
General Fund	3,041,828	-	-	-	-	3,041,828
Special Revenue Funds	-	-	-	1,058,592	755,026	1,813,618
Debt Service Funds	-	-	-	-	399,919	399,919
Capital Projects Funds	-	43,695	741,841	-	124,324	909,860
<i>Total Fund Balances</i>	<u>\$ 3,577,476</u>	<u>\$ 163,886</u>	<u>\$ 1,270,946</u>	<u>\$ 1,058,592</u>	<u>\$ 1,300,299</u>	<u>\$ 7,371,199</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, 2006**

	<u>General</u>	<u>Permanent Improvement</u>	<u>State Share Building Fund Expenses</u>	<u>Severance Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH RECEIPTS:</b>						
Property Taxes	\$ 1,782,897	\$ -	\$ -	\$ -	\$ 411,637	\$ 2,194,534
Intergovernmental	6,794,005	-	325,000	-	2,019,034	9,138,039
Interest	160,614	8,126	36,606	-	14,778	220,124
Tuition and Fees	463,165	-	-	-	-	463,165
Extracurricular Activities	-	-	-	-	164,167	164,167
Gifts and Donations	500	751,503	-	-	3,900	755,903
Customer Sales and Services	-	-	-	-	193,241	193,241
Miscellaneous	50,610	-	4,091	-	3,673	58,374
<i>Total Cash Receipts</i>	<u>9,251,791</u>	<u>759,629</u>	<u>365,697</u>	<u>-</u>	<u>2,810,430</u>	<u>13,187,547</u>
<b>CASH DISBURSEMENTS:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	3,293,259	-	-	60,800	1,169,927	4,523,986
Special	470,217	-	-	-	187,459	657,676
Vocational	60,166	-	-	-	-	60,166
Adult/Continuing	-	-	-	-	12,079	12,079
Other	30,219	-	-	-	61,735	91,954
<b>Support Services:</b>						
Pupils	316,159	-	-	-	131,328	447,487
Instructional Staff	172,835	-	-	-	66,227	239,062
Board of Education	69,654	-	-	-	-	69,654
Administration	890,650	-	-	-	68,141	958,791
Fiscal	244,896	-	-	-	19,703	264,599
Operation and Maintenance of Plant	1,029,930	107,166	-	12,144	29,716	1,178,956
Pupil Transportation	874,305	-	-	19,072	55	893,432
Central	35,004	-	-	-	4,397	39,401
Operation of Non-Instructional Services	-	-	-	-	418,202	418,202
Extracurricular Activities	2,456	-	-	-	139,102	141,558
Capital Outlay	1,910	3,038,694	70,046	-	-	3,110,650
<b>Debt Service:</b>						
Principal	138,677	-	-	-	105,000	243,677
Interest	-	-	-	-	180,600	180,600
<i>Total Cash Disbursements</i>	<u>7,630,337</u>	<u>3,145,860</u>	<u>70,046</u>	<u>92,016</u>	<u>2,593,671</u>	<u>13,531,930</u>
<i>Excess of Cash Receipts</i>						
<i>Over (Under) Cash Disbursements</i>	<u>1,621,454</u>	<u>(2,386,231)</u>	<u>295,651</u>	<u>(92,016)</u>	<u>216,759</u>	<u>(344,383)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>						
Transfers In	-	-	-	730,000	-	730,000
Proceeds from Sale of Capital Assets	178	126,072	-	-	-	126,250
Advances In	64,010	275,000	-	-	1,538	340,548
Transfers Out	(730,000)	-	-	-	-	(730,000)
Advances Out	(276,538)	-	-	-	(64,010)	(340,548)
<i>Total Other Financing Sources and Uses</i>	<u>(942,350)</u>	<u>401,072</u>	<u>-</u>	<u>730,000</u>	<u>(62,472)</u>	<u>126,250</u>
<i>Net Change in Fund Balances</i>	679,104	(1,985,159)	295,651	637,984	154,287	(218,133)
<i>Fund Balances at Beginning of Year</i>	<u>2,898,372</u>	<u>2,149,045</u>	<u>975,295</u>	<u>420,608</u>	<u>1,146,012</u>	<u>7,589,332</u>
<i>Fund Balances at End of Year</i>	<u>\$ 3,577,476</u>	<u>\$ 163,886</u>	<u>\$ 1,270,946</u>	<u>\$ 1,058,592</u>	<u>\$ 1,300,299</u>	<u>\$ 7,371,199</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, 2006*

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Total Revenues and Other Sources	\$ 8,890,131	\$ 9,315,979	\$ 9,315,979	\$ -
Total Expenditures and Other Uses	(9,034,189)	(8,914,186)	(8,914,186)	-
Net Change in Fund Balance	(144,058)	401,793	401,793	-
Fund Balance at Beginning of Year	2,662,576	2,662,576	2,662,576	-
Prior Year Encumbrances Appropriated	235,795	235,795	235,795	-
Fund Balance at End of Year	\$ 2,754,313	\$ 3,300,164	\$ 3,300,164	\$ -

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, 2006*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Sources	\$ 130,000	\$ 730,000	\$ 730,000	\$ -
Total Expenditures and Other Uses	<u>(439,957)</u>	<u>(92,016)</u>	<u>(92,016)</u>	<u>-</u>
Net Change in Fund Balance	(309,957)	637,984	637,984	-
Fund Balance at Beginning of Year	420,608	420,608	420,608	-
Prior Year Encumbrances Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 110,651</u>	<u>\$ 1,058,592</u>	<u>\$ 1,058,592</u>	<u>\$ -</u>

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

**Oak Hill Union Local School District**  
**Statement of Fiduciary Net Assets - Cash Basis**  
**Fiduciary Fund**  
**June 30, 2006**

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	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 45,376
<i>Total Assets</i>	<u>45,376</u>
NET ASSETS:	
Unrestricted	<u>45,376</u>
<i>Total Net Assets</i>	<u><u>\$ 45,376</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, 2006**

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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 85 certificated employees and 51 non-certificated employees who provide services to 1,301 students.

**Reporting Entity**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The School District’s accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of 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, 2006**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Funds (Continued)**

*Permanent Improvement Capital Projects Fund*

This fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

*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. The District's only fiduciary funds are agency funds.

*Agency Funds*

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's agency funds are used to account for student-managed activities.

**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, 2006**

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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 the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

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

**Cash Receipts – Exchange and Non-exchange Transactions**

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

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

**Cash Disbursements**

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

**Budgetary Process**

**Budget**

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

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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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, 2006. 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 Boards policy. For fiscal year 2006, interest receipts amounted to \$220,124 in which \$160,614 was recorded in the General Fund; \$8,126 was recorded in the Permanent Improvement Fund; \$36,606 was recorded in the State Share Building Fund Expenses Fund; and \$14,778 was recorded in Other Non-major Special Revenue Funds.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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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.

**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, 2006, of the School District's \$3,793,723 restricted net assets, \$0 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.

**NOTE 3 - EQUITY IN POOLED CASH 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.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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**NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

- A. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written purchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (A) or (B) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- G. The State Treasurer's investment pool (STAR Ohio);
- H. Securities lending agreements in which the School District lends securities and the eligible institution agrees to exchange either securities described in division (A) or (B) or cash or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio;
- J. Certain bankers' 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, 2006**

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**NOTE 3 - EQUITY IN POOLED CASH 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. The School District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$7,454,870 of the School District's bank balance of \$7,554,870 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

**NOTE 4- BUDGETARY BASIS FUND BALANCES**

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

	General Fund	Severance Fund
Budgetary Basis Fund Balance	3,300,164	1,058,592
Encumbrances	277,312	-
Fund Cash Balance	3,577,476	1,058,592

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005.

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, 2006**

**NOTE 5 - PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$44,067,040	59.25%	\$66,702,510	72.87%
Public Utility	22,931,690	30.83%	19,377,300	21.17%
Tangible Personal Property	7,378,025	9.92%	5,459,323	5.96%
<b>Total Assessed Value</b>	<b>\$74,376,755</b>	<b>100.00%</b>	<b>\$91,539,133</b>	<b>100.00%</b>
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, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**NOTE 6 - DEBT OBLIGATIONS**

The School District's long-term obligations at June 30, 2006 were as follows:

Debt	Beginning Balance 6/30/2005	Additions	Payments	Ending Balance 6/30/2006	Due in One Year
1999 Classroom Facilities G. O. Bonds, 4.45%-5.65%	\$ 3,220,000	\$ -	\$ 105,000	\$ 3,115,000	\$ 110,000
2002 OASBO School Pool Bus Debt, 5.375%	75,000	-	37,000	38,000	38,000
2003 Ohio School Facilities Hardship Loan, 0%	355,871	-	101,677	254,194	101,677
<b>Total</b>	<b>\$ 3,650,871</b>	<b>\$ -</b>	<b>\$ 243,677</b>	<b>\$ 3,407,194</b>	<b>\$ 249,677</b>

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 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. The debt will be repaid from the general fund

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

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 6 - DEBT OBLIGATIONS (Continued)**

The annual requirements to amortize debt outstanding as of June 30, 2006 are as follows:

Classroom Facilities Bonds				OASBO School Pool Bus Debt			
Year Ending June 30	Principal	Interest	Total	Year Ending June 30	Principal	Interest	Total
2007	\$ 110,000	\$ 178,133	\$ 288,133	2007	\$ 38,000	\$ 889	\$ 38,889
2008	115,000	172,907	287,907	2008	-	-	-
2009	125,000	167,388	292,388	2009	-	-	-
2010	130,000	159,262	289,262	2010	-	-	-
2011	140,000	150,813	290,813	2011	-	-	-
2012-2016	850,000	611,453	1,461,453	2012-2016	-	-	-
2017-2021	1,110,000	345,470	1,455,470	2017-2021	-	-	-
2022-2023	535,000	45,735	580,735	2022-2023	-	-	-
Total	<u>\$3,115,000</u>	<u>\$ 1,831,161</u>	<u>\$ 4,946,161</u>	Total	<u>\$ 38,000</u>	<u>\$ 889</u>	<u>\$ 38,889</u>

Ohio School Facilities Hardship Loan				Total			
Year Ending June 30	Principal	Interest	Total	Year Ending June 30	Principal	Interest	Total
2007	\$ 101,677	\$ -	\$ 101,677	2007	\$ 249,677	\$ 179,022	\$ 428,699
2008	101,677	-	101,677	2008	216,677	172,907	\$ 389,584
2009	50,840	-	50,840	2009	175,840	167,388	\$ 343,228
2010	-	-	-	2010	130,000	159,262	\$ 289,262
2011	-	-	-	2011	140,000	150,813	\$ 290,813
2012-2016	-	-	-	2012-2016	850,000	611,453	\$ 1,461,453
2017-2021	-	-	-	2017-2021	1,110,000	345,470	\$ 1,455,470
2022-2023	-	-	-	2022-2023	535,000	45,735	580,735
Total	<u>\$ 254,194</u>	<u>\$ -</u>	<u>\$ 254,194</u>	Total	<u>\$3,407,194</u>	<u>\$ 1,832,050</u>	<u>\$ 5,239,244</u>

The School District's overall legal debt margin was \$5,123,522 with an unvoted debt margin of \$91,539 at June 30, 2006.

**NOTE 7 – RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ended June 30, 2006 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, 2006**

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5873. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. For fiscal years 2006, 2005 and 2004, 11.7%, 10.57% and 9.09%, respectively were the portions allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the years ended June 30, 2006, 2005, and 2004 were \$152,400, \$159,108, and \$147,043, respectively. 46% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$77,591 represents the unpaid contribution for fiscal year 2006.

**State Teachers Retirement System**

The School District contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

**State Teachers Retirement System (Continued)**

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

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

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

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

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

For fiscal year 2006 plan members are required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$508,452, \$478,380, and \$544,952, respectively; 76% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. \$94,811 represents the unpaid contribution for fiscal year 2006.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, five members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

The School District provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents through the State Teachers Retirement System (STRS). Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to eligible benefit recipients, spouses and dependents. Health care benefits are financed on a pay-as-you-go basis. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year 2006, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$36,318 for fiscal year 2006. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For Revised Code grants discretionary authority to SERS to provide post retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2006, the healthcare allocation is 2.3%. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent 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. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$73,043.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005 (the latest information available) were \$178,221,113. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was 267.5 million which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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**NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS**

**South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA \$103,177 for services provided during the year. Financial information for SCOCA can be obtained from their fiscal agent, Pike County Joint Vocational School, District, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

**Gallia-Jackson Vinton Joint Vocational School District**

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

**NOTE 11 – INSURANCE PURCHASING POOLS**

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

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

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

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

**NOTE 12 – STATUTORY RESERVES**

The School District is required by the state law to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. Prior to April 10, 2001 the School District was required to set aside money for budget stabilization. After April 10, 2001, the School District was able to choose the distribution of the budget reserves. With a resolution from the Board of Education, the School District could return the balance to the General Fund, leave it in the reserve account or use it for the district's portion of basic project costs for any School Facilities Commission project. The School District left the balance in the reserve account. The following information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by the State.

	Textbook	Capital Acquisition	Budget Stabilization
Set-Aside Reserve Balances as of June 30, 2005	\$ 150,786	\$ 131,067	\$ 40,068
Current Year Set-Aside Requirement	184,637	184,637	-
Qualifying Disbursements	(117,155)	(329,747)	-
Set Aside Balance Carried Forward to Future Fiscal Years	218,268	(14,043)	40,068
Set-Aside Reserve Balance as of June 30, 2006	\$ 218,268	\$ -	\$ 40,068

The School District had qualifying disbursements during the fiscal year that reduced the capital acquisition set-aside amount to below zero.

**NOTE 13 – CONTRACTUAL COMMITMENTS**

As of June 30, 2006, the School District had contract purchase commitments for the renovation of the administration building as follows:

Contractor	Contract Amount	Payments	Balance at 6/30/2006
Air Concepts	\$68,048	\$66,653	\$1,395
Brenmar Construction	121,254	50,287	70,967
Portland Electric	358,931	335,602	23,329
Trimat Construction	2,977,320	2,936,393	40,927
Winchester Mechanical	158,349	140,072	18,277
Total	\$3,683,902	\$3,529,007	\$154,895

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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**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, 2006.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**NOTE 15 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2006, were as follows:

Fund:	Transfer <u>To:</u>	Transfer <u>From:</u>
General Fund	\$ 0	\$730,000
Major Special Revenue Fund:		
Severance Fund	<u>730,000</u>	<u>0</u>
Total	<u>\$730,000</u>	<u>\$730,000</u>

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

**Oak Hill Union Local School District**  
**Notes to the Basic Financial Statements**  
**June 30, 2006**

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**NOTE 15 – INTERFUND ACTIVITY (Continued)**

**Interfund Advances**

Advances made during the year ended June 30, 2006, were as follows:

Fund:	Advance <u>To:</u>	Advance <u>From:</u>
Major Funds:		
General Fund	\$64,010	\$276,538
Permanent Improvement	<u>275,000</u>	<u>0</u>
Total Major Funds	339,010	276,538
Non-Major Special Revenue Funds		
School Support	690	0
Part B-Idea	0	1,712
Student Intervention	0	7,062
Title I	0	12,736
Title II-A	0	1,160
Miscellaneous Federal Grants	0	38,630
Title V Innovative Programs	78	586
Safe and Drug Free Schools	0	682
Preschool	<u>770</u>	<u>1,443</u>
Total Non-Major Special Revenue Funds	<u>1,538</u>	<u>64,010</u>
Total All Funds	<u>\$340,548</u>	<u>\$ 340,548</u>

During the year, the District's General Fund made advances to other funds in anticipation of intergovernmental grant revenue. Advances to the General Fund are for repayments of outstanding advances from prior years.

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE**

For the fiscal year 2006, the School District implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. The application of this new standard did not have a material effect on the financial statements, nor did its implementation require a restatement of prior year balances.

Oak Hill Union Local School District  
Jackson County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2006

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	\$ 80,840	\$ -	\$ 80,840	\$ -
National School Lunch Program	LLP4	10.555	191,189	-	191,189	-
Total Nutrition Cluster			272,029	-	272,029	-
Food Distribution Program	NA	10.550	-	21,051	-	21,051
<b>Total United States Department of Agriculture</b>			272,029	21,051	272,029	21,051
<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	327,519	-	325,374	-
Special Education - Preschool Grants	DRS1	84.173	3,520	-	3,547	-
Total Special Education Cluster			331,039	-	328,921	-
Title I Grants to Local Education Agencies	C1S1	84.010	500,623	-	482,163	-
Safe & Drug Free Schools and Communities-State Grants	DRS1	84.186	13,367	-	13,160	-
School Grants for Innovative Programs	C2S1	84.298	4,417	-	4,169	-
Education Technology State Grants	TJS1	84.318	11,504	-	8,969	-
Rural Education	RUS1	84.358	58,060	-	34,397	-
Improving Teacher Quality Grants	TRS1	84.367	115,709	-	114,470	-
Total Passed through Ohio Department of Education			703,680	-	657,328	-
Direct from United States Department of Education						
Library Literacy Grant	N	84.364	30,203	-	28,657	-
Total Direct from U.S. Department of Education			30,203	-	28,657	-
<b>Total United States Department of Education</b>			1,064,922	-	1,014,906	-
<b>United States Department of Health and Human Services</b>						
<i>Passed through the Ohio Department of</i>						
<i>Mental Retardation and Developmental Disabilities</i>						
State Children's Insurance Program	NA	93.767	2,322	-	2,322	-
Medical Assistance Program	NA	93.778	22,849	-	22,849	-
<b>Total United States Department of Health and Human Services</b>			25,171	-	25,171	-
<b>Total Federal Financial Assistance</b>			\$ 1,362,122	\$ 21,051	\$ 1,312,106	\$ 21,051

NA = Pass through entity number could not be located.  
N = Direct Award.  
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, 2006

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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**

Non monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had no significant food commodities in inventory.

# BALESTRA, HARR & SCHERER, CPAs, INC.

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Ohio Society of Certified Public Accountants

## **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

To the Board of Education:

We have audited the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hill Union Local School District, Jackson County, Ohio (the District), as of and for the year ended June 30, 2006 which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2006, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 46. We also noted that the District follows a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance 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 2006-001.

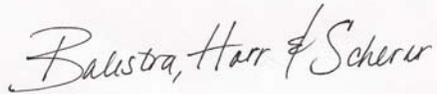
We noted certain matters that we have reported to the School District's management in a separate letter dated December 15, 2006.

Oak Hill Union Local School District  
Jackson County

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*

Page 2

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

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.

December 15, 2006

# BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

To the Board of Education:

### **Compliance**

We have audited the compliance of the Oak Hill Union Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 of 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 programs for the year ended June 30, 2006.

### **Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

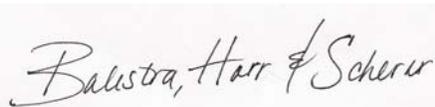
Oak Hill Union LSD

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

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

December 15, 2006

OAK HILL UNION LOCAL SCHOOL DISTRICT  
 JACKSON COUNTY  
 JUNE 30, 2006

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 control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, Grants to Local Agencies, CFDA#84.010 & Special Education Cluster, CFDA#84.027 & 84.173
(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, 2006

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 2006-001**

**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.

**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, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	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 2006-001.

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

**CORRECTIVE ACTION PLAN  
*OMB CIRCULAR A-133 §.315(c)*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2006-001	Due to the passage of a bond issue to build a new school and renovate existing facilities, the Board of Education chose to report on the cash basis until the construction project is complete.	June 30, 2007	Rhonda Harrison, Treasurer



**Mary Taylor, CPA**  
Auditor of State

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

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 6, 2007**