



Mary Taylor, CPA
Auditor of State

**OAK HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Oak Hills Local School District
Hamilton County
6325 Rapid Run Road
Cincinnati, Ohio 45233

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Oak Hills Local School District, Hamilton County, Ohio, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion & Analysis and the budgetary comparison for the General Fund are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Expenditure Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Expenditure Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

August 30, 2008

**OAK HILLS LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2007
(Unaudited)**

The discussion and analysis of Oak Hills Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- Net assets of governmental activities increased \$741,388 which represents a 11% increase from 2006.
- General revenues accounted for \$62,026,687 in revenue or 84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11,807,130 or 16% of total revenues of \$73,833,817.
- The District had \$73,092,429 in expenses related to governmental activities; only \$11,807,130 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$62,026,687 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2007?” The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

Fund Financial Statements

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

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

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

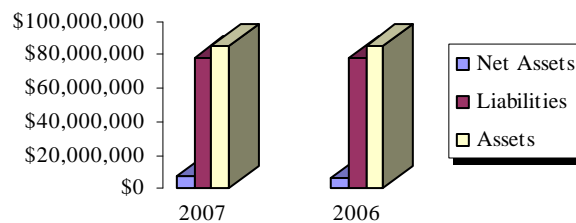
The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2007 compared to 2006:

Table 1
Net Assets

	Governmental Activities	
	2007	2006
Assets		
Current Assets	\$62,974,567	\$62,390,870
Capital Assets	22,386,995	22,821,692
Total Assets	85,361,562	85,212,562
Liabilities		
Long-Term Liabilities	50,760,286	52,412,774
Other Liabilities	27,096,781	26,036,681
Total Liabilities	77,857,067	78,449,455
Net Assets		
Invested in Capital		
Assets Net of Debt	1,767,561	1,625,953
Restricted	4,081,323	3,531,482
Unrestricted	1,655,611	1,605,672
Total Net Assets	\$7,504,495	\$6,763,107



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$7,504,495. The District's financial position as it relates to net assets increased 11%.

At year end, capital assets represented 26% of total assets. Capital assets include land, buildings and improvements, and furniture and equipment. Net assets invested in capital assets, net of related debt to acquire the assets at June 30, 2007 were \$1,767,561. These net assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,081,323 represents resources that are subject to external restriction on how they may be used.

Total assets remained relatively consistent in 2007 compared to 2006. Long-term liabilities decreased due to the District making regularly scheduled debt service payments on their General Obligation Bonds. Other Liabilities increased mainly due to the increase in unearned revenue. Unearned revenue increased due to the large fluctuation in the amount of taxes available for advance provided by the county auditor.

Table 2 shows the change in net assets for fiscal year 2007 compared to 2006.

Table 2
Changes in Net Assets

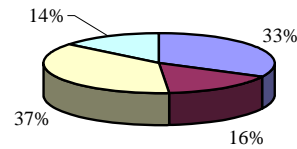
	Governmental Activities	
	2007	2006
Revenues		
Program Revenues:		
Charges for Services	\$5,015,925	\$4,882,050
Operating Grants	6,689,612	6,501,819
Capital Grants	101,593	84,678
General Revenue:		
Property Taxes	27,481,856	27,426,835
Grants and Entitlements	24,071,668	23,421,326
Other	10,473,163	8,396,910
Total Revenues	<u>73,833,817</u>	<u>70,713,618</u>
Program Expenses:		
Instruction	38,625,619	37,076,952
Support Services:		
Pupil and Instructional Staff	8,781,932	8,634,189
General and School Administrative, Fiscal and Business	6,297,434	6,042,414
Operations and Maintenance	7,660,054	7,210,041
Pupil Transportation	2,181,132	2,344,523
Central	472,596	490,215
Operation of Non-Instructional Services	5,115,065	4,788,651
Extracurricular Activities	1,732,180	1,651,206
Interest and Fiscal Charges	2,226,417	3,450,198
Total Expenses	<u>73,092,429</u>	<u>71,688,389</u>
Change in Net Assets	741,388	(974,771)
Beginning Net Assets	<u>6,763,107</u>	<u>7,737,878</u>
Ending Net Assets	<u><u>\$7,504,495</u></u>	<u><u>\$6,763,107</u></u>

The District revenues are mainly from two sources. Property taxes levied for general purposes and debt service and grants and entitlements comprised 70% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 37% of revenue for governmental activities for the District in fiscal year 2007.

Revenue Sources	2007	Percent of Total
General Grants	\$24,071,668	33%
Program Revenues	11,807,130	16%
General Tax Revenues	27,481,856	37%
Other Revenues	10,473,163	14%
	<u>\$73,833,817</u>	<u>100%</u>



Instruction comprises 53% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses and interest expense was 12%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Program revenues remained relatively constant from 2006 to 2007. Other revenues increased due to an increase in investment earnings which was a result of the District experiencing a higher return on their investments and an increase in contributions to the District that are not restricted. Instruction expense increased due to increases in personnel cost and general inflationary factors. Operations and maintenance increased due to the District's commitment to maintaining (maintenance, repairs, etc.) the various buildings throughout the District.

Governmental Activities

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction	\$38,625,619	\$37,076,952	(\$34,270,850)	(\$32,990,937)
Support Services:				
Pupil and Instructional Staff	8,781,932	8,634,189	(7,236,854)	(7,273,734)
General and School Administrative, Fiscal and Business	6,297,434	6,042,414	(6,116,918)	(5,852,234)
Operations and Maintenance	7,660,054	7,210,041	(7,635,364)	(7,192,603)
Pupil Transportation	2,181,132	2,344,523	(1,880,545)	(2,004,330)
Central	472,596	490,215	(457,095)	(473,965)
Operation of Non-Instructional Services	5,115,065	4,788,651	(775,452)	(456,396)
Extracurricular Activities	1,732,180	1,651,206	(685,804)	(525,445)
Interest and Fiscal Charges	2,226,417	3,450,198	(2,226,417)	(3,450,198)
Total Expenses	\$73,092,429	\$71,688,389	(\$61,285,299)	(\$60,219,842)

The District's Funds

The District has one major governmental fund: the General Fund. Assets of the General Fund comprised \$52,729,074 (84%) of the total \$62,650,285 governmental funds assets.

General Fund: Fund balance at June 30, 2007 was \$30,692,025 including \$20,955,159 of unreserved balance. The primary reason for the decrease in fund balance was a increase in instruction expenses for the District.

General Fund Budgeting Highlights

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

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

For the General Fund, budget basis revenue was \$61,026,881, compared to original budget estimates of \$60,550,661. Of this \$476,220 difference, most was due to underestimating tax and intergovernmental revenues in the original budget.

The District's unobligated cash balance for the General Fund was \$1,854,263 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$22,386,995 invested in land, buildings and improvements, and furniture and equipment. Table 4 shows fiscal 2007 balances compared to fiscal 2006:

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

	Governmental Activities	
	2007	2006
Land	\$1,302,649	\$978,200
Buildings and Improvements	20,037,589	20,646,808
Furniture and Equipment	<u>1,046,757</u>	<u>1,196,684</u>
Total Net Capital Assets	<u>\$22,386,995</u>	<u>\$22,821,692</u>

Total Net Capital Assets remained relatively consistent in 2007 as compared to 2006.

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

Debt

At June 30, 2007, the District had \$47,834,890 in debt outstanding, \$2,032,000 due within one year. Table 5 summarizes total debt outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Bonds and Notes Payable:		
Oak Hills Building Project I	\$100,000	\$200,000
Oak Hills Building Project II	8,060,000	9,310,000
Refunding Bonds:		
Current Interest Bonds –		
School Improvement	32,870,000	33,045,000
Capital Appreciation Bonds	3,135,846	3,023,684
Premium on Bonds	<u>1,962,044</u>	<u>2,065,309</u>
Subtotal Bonds	46,127,840	47,643,993
Loan Payable:		
Rickenbacker Port Authority	<u>1,707,000</u>	<u>2,022,000</u>
Subtotal Loan Payable	<u>1,707,000</u>	<u>2,022,000</u>
Total Outstanding Debt at Year End	<u>\$47,834,890</u>	<u>\$49,665,993</u>

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

Economic Outlook

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

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

The District is converting 4.56 mills from its general fund into its permanent improvement fund. The transfer allows the District to get additional tax revenue when property values increase.

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

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

Contacting the District's Financial Management

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

Oak Hills Local School District
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$32,495,942
Restricted Cash and Investments	380,716
Receivables:	
Taxes	29,730,343
Accounts	6,907
Interest	1,144
Intergovernmental	17,233
Deferred Bond Issuance Costs	342,282
Nondepreciable Capital Assets	1,302,649
Depreciable Capital Assets, Net	<u>21,084,346</u>
 Total Assets	 <u>85,361,562</u>
Liabilities:	
Accounts Payable	163,796
Accrued Wages and Benefits	7,030,543
Accrued Interest Payable	1,247,765
Unearned Revenue	18,654,677
Long-Term Liabilities:	
Due Within One Year	2,858,601
Due In More Than One Year	<u>47,901,685</u>
 Total Liabilities	 <u>77,857,067</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,767,561
Restricted for:	
Special Revenue	317,546
Debt Service	2,803,538
Capital Projects	579,523
Set-Aside	380,716
Unrestricted	<u>1,655,611</u>
 Total Net Assets	 <u><u>\$7,504,495</u></u>

See accompanying notes to the basic financial statements.

Oak Hills Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$31,847,891	\$1,152,871	\$264,944	\$54,202	(\$30,375,874)
Special	6,574,145	0	2,843,191	0	(3,730,954)
Vocational	1,062	0	4,536	0	3,474
Other	202,521	30,489	4,536	0	(167,496)
Support Services:					
Pupil	4,120,272	568,181	271,584	0	(3,280,507)
Instructional Staff	4,661,660	549	704,764	0	(3,956,347)
General Administration	178,256	0	180,516	0	2,260
School Administration	4,791,398	0	0	0	(4,791,398)
Fiscal	1,069,374	0	0	0	(1,069,374)
Business	258,406	0	0	0	(258,406)
Operations and Maintenance	7,660,054	24,690	0	0	(7,635,364)
Pupil Transportation	2,181,132	53,371	208,225	38,991	(1,880,545)
Central	472,596	15,501	0	0	(457,095)
Operation of Non-Instructional Services	5,115,065	2,132,297	2,207,316	0	(775,452)
Extracurricular Activities	1,732,180	1,037,976	0	8,400	(685,804)
Interest and Fiscal Charges	2,226,417	0	0	0	(2,226,417)
Total Governmental Activities	\$73,092,429	\$5,015,925	\$6,689,612	\$101,593	(61,285,299)

General Revenues:

Property Taxes Levied for:

General Purposes	24,116,305
Debt Service Purposes	3,365,551
Grants and Entitlements not Restricted to Specific Programs	24,071,668
Payment in Lieu of Taxes	7,178,939
Unrestricted Contributions	771,420
Investment Earnings	1,765,728
Other Revenues	757,076

Total General Revenues 62,026,687

Change in Net Assets 741,388

Net Assets Beginning of Year 6,763,107

Net Assets End of Year \$7,504,495

See accompanying notes to the basic financial statements.

Oak Hills Local School District
Balance Sheet
Governmental Funds
June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$28,597,715	\$3,898,227	\$32,495,942
Restricted Cash and Investments	380,716	0	380,716
Receivables:			
Taxes	23,726,225	6,004,118	29,730,343
Accounts	5,274	1,633	6,907
Interest	1,144	0	1,144
Intergovernmental	0	17,233	17,233
Interfund	18,000	0	18,000
Total Assets	52,729,074	9,921,211	62,650,285
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	138,948	24,848	163,796
Accrued Wages and Benefits	6,540,950	489,593	7,030,543
Compensated Absences	423,926	0	423,926
Interfund Payable	0	18,000	18,000
Deferred Revenue	14,933,225	4,764,351	19,697,576
Total Liabilities	22,037,049	5,296,792	27,333,841
Fund Balances:			
Reserved for Encumbrances	563,160	516,948	1,080,108
Reserved for Property Tax Advances	8,793,000	1,257,000	10,050,000
Reserved for Set-Aside	380,716	0	380,716
Unreserved, Undesignated, Reported in:			
General Fund	20,955,149	0	20,955,149
Special Revenue Funds	0	384,417	384,417
Debt Service Funds	0	2,327,584	2,327,584
Capital Projects Funds	0	138,470	138,470
Total Fund Balances	30,692,025	4,624,419	35,316,444
Total Liabilities and Fund Balances	\$52,729,074	\$9,921,211	\$62,650,285

See accompanying notes to the basic financial statements.

Oak Hills Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2007

Total Governmental Fund Balance		\$35,316,444
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		22,386,995
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	1,025,666	
Intergovernmental	<u>17,233</u>	
		1,042,899
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(1,247,765)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(2,501,470)</u>	
		(2,501,470)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		342,282
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(47,834,890)</u>
Net Assets of Governmental Activities		<u><u>\$7,504,495</u></u>

See accompanying notes to the basic financial statements.

Oak Hills Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$24,134,571	\$3,384,976	\$27,519,547
Tuition and Fees	1,218,440	152,602	1,371,042
Investment Earnings	1,723,081	42,647	1,765,728
Intergovernmental	25,731,149	5,122,762	30,853,911
Extracurricular Activities	212,798	1,256,577	1,469,375
Charges for Services	0	2,132,297	2,132,297
Payment in Lieu of Taxes	7,178,939	0	7,178,939
Other Revenues	551,709	958,348	1,510,057
Total Revenues	60,750,687	13,050,209	73,800,896
Expenditures:			
Current:			
Instruction:			
Regular	31,647,089	86,532	31,733,621
Special	5,807,269	731,430	6,538,699
Vocational	150	0	150
Other	202,521	0	202,521
Support Services:			
Pupil	3,276,197	838,343	4,114,540
Instructional Staff	3,540,277	1,038,033	4,578,310
General Administration	178,256	0	178,256
School Administration	4,611,793	236,545	4,848,338
Fiscal	1,013,765	49,324	1,063,089
Business	254,917	0	254,917
Operations and Maintenance	6,158,799	0	6,158,799
Pupil Transportation	2,057,393	0	2,057,393
Central	453,735	16,754	470,489
Operation of Non-Instructional Services	49,671	4,983,630	5,033,301
Extracurricular Activities	815,126	913,261	1,728,387
Capital Outlay	1,022,581	245,672	1,268,253
Debt Service:			
Principal Retirement	0	1,840,000	1,840,000
Interest and Fiscal Charges	0	2,245,685	2,245,685
Total Expenditures	61,089,539	13,225,209	74,314,748
Excess of Revenues Over (Under) Expenditures	(338,852)	(175,000)	(513,852)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	63,464	43	63,507
Transfers In	0	386,410	386,410
Transfers (Out)	(386,410)	0	(386,410)
Total Other Financing Sources (Uses)	(322,946)	386,453	63,507
Net Change in Fund Balance	(661,798)	211,453	(450,345)
Fund Balance Beginning of Year	31,353,823	4,412,966	35,766,789
Fund Balance End of Year	\$30,692,025	\$4,624,419	\$35,316,444

See accompanying notes to the basic financial statements.

Oak Hills Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2007

Net Change in Fund Balance - Total Governmental Funds (\$450,345)

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

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

Capital assets used in governmental activities	414,050	
Depreciation Expense	<u>(848,747)</u>	(434,697)

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

Delinquent Property Taxes	(37,691)	
Intergovernmental	<u>7,105</u>	(30,586)

Repayment of bond principal is an expenditure in the
 governmental funds, but the repayment reduces long-term
 liabilities in the statement of net assets. 1,840,000

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

Accrued Interest	<u>46,180</u>	46,180
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Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences	(202,252)	
Amortization of Bond Issuance Cost	(18,015)	
Amortization of Bond Premium	103,265	
Bond Accretion	<u>(112,162)</u>	
		<u>(229,164)</u>

Change in Net Assets of Governmental Activities \$741,388

See accompanying notes to the basic financial statements.

Oak Hills Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$968,792</u>	<u>\$63,973</u>
Total Assets	<u>968,792</u>	<u>\$63,973</u>
Liabilities:		
Accounts Payable	300	691
Other Liabilities	<u>0</u>	<u>63,282</u>
Total Liabilities	<u>300</u>	<u>\$63,973</u>
Net Assets:		
Held in Trust	<u>968,492</u>	
Total Net Assets	<u>\$968,492</u>	

See accompanying notes to the basic financial statements.

Oak Hills Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2007

	Private Purpose Trust
Additions:	
Donations	\$51,405
Investment Earnings	37,825
Total Additions	<u>89,230</u>
Deductions:	
Scholarships	<u>96,690</u>
Total Deductions	<u>96,690</u>
Change in Net Assets	(7,460)
Net Assets Beginning of Year	<u>975,952</u>
Net Assets End of Year	<u><u>\$968,492</u></u>

See accompanying notes to the basic financial statements.

**OAK HILLS LOCAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007**

1. DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five-member board form of government and provides educational services. The Board controls the District’s instructional programs and support facilities, staffed by 658 certificated teaching and administrative personnel and 374 non-certificated personnel. To provide services to the adult population in the community, Oak Hills has developed one of the largest community education programs in Hamilton County, Ohio.

The District is the third largest in Hamilton County and is 28th largest of all 614 districts in Ohio in terms of student enrollment, with 8,040 students for the 2006-07 school year. The District currently operates five (5) elementary schools (grades K-5), three (3) middle schools (grades 6-8), and one (1) comprehensive high school (grades 9-12).

REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Fiduciary Funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds

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

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

Fiduciary Funds

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

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

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

Expenses/Expenditures

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

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

EQUITY IN POOLED CASH AND INVESTMENTS

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2007. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$1,723,081 and \$42,647 in Other Governmental Funds.

INVENTORY

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

CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). In prior years, the capitalization threshold was one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

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

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

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$4,081,323 in restricted net assets, none was restricted by enabling legislation.

INTERFUND ACTIVITY

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

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

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

FUND EQUITY

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

ESTIMATES

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

RESTRICTED ASSETS

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

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

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

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

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

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

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2007, \$8,032,514 of the District's bank balance of \$8,232,514 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2007, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Money Market Funds	\$80,413	0.00
STAR Ohio	9,561,689	0.11
Federal Home Loan Bank	9,616,779	0.59
Federal Home Loan Mortgage Corporation	737,472	2.22
Federal National Mortgage Association	5,113,656	0.90
U.S. Treasury Notes	<u>1,976,014</u>	1.56
Total Fair Value	<u>\$27,086,023</u>	
Portfolio Weighted Average Maturity		0.59

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

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

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District has invested less than 1% of the District’s investments in Money Market Funds, 35% in STAR Ohio, 7% in U.S. Treasury Notes, 36% in Federal Home Loan Bank, 3% in Federal National Mortgage Corporation, and 19% in Federal Home Loan Mortgage Association.

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

5. PROPERTY TAXES

Real property taxes collected in 2007 were levied in April on the assessed values as of January 1, 2006, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

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

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

Real property taxes are payable annually or semi-annually. In 2007, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2007. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2007 on the fund financial statements. The entire amount of delinquent taxes receivable is recognized as revenue in the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2007, was \$8,793,000 for General Fund and \$1,257,000 for Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2007 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$1,192,347,460
Public Utility Personal	33,068,880
Tangible Personal Property	<u>14,784,656</u>
Total	<u>\$1,240,200,996</u>

6. RECEIVABLES

Receivables at June 30, 2007, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$978,200	\$324,449	\$0	\$1,302,649
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	35,640,432	1,000	0	35,641,432
Furniture and Equipment	<u>3,940,185</u>	<u>88,601</u>	<u>0</u>	<u>4,028,786</u>
Totals at Historical Cost	<u>\$40,558,817</u>	<u>\$414,050</u>	<u>\$0</u>	<u>\$40,972,867</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$14,993,624	\$610,219	\$0	\$15,603,843
Furniture and Equipment	<u>2,743,501</u>	<u>238,528</u>	<u>0</u>	<u>2,982,029</u>
Total Accumulated Depreciation	<u>17,737,125</u>	<u>848,747</u>	<u>0</u>	<u>18,585,872</u>
Governmental Activities Capital Assets, Net	<u>\$22,821,692</u>	<u>(\$434,697)</u>	<u>\$0</u>	<u>\$22,386,995</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$8,391
Special	392
Support Services:	
Pupils	553
Instructional Staff	17,072
School Administration	9,528
Operations and Maintenance	639,486
Pupil Transportation	119,432
Operation of Non-Instructional Services	53,276
Extracurricular Activities	617
Total Depreciation Expense	<u>\$848,747</u>

8. LONG-TERM LIABILITIES

	Interest Rate	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
Governmental Activities:						
General Obligation Bonds and Notes:						
Oak Hills Building Project I	5.59%	\$200,000	\$0	\$100,000	\$100,000	\$100,000
Oak Hills Building Project II	5.42%	9,310,000	0	1,250,000	8,060,000	1,430,000
Refunding Bonds:						
Current Interest Bonds -						
School Improvement	4.37%	33,045,000	0	175,000	32,870,000	180,000
Capital Appreciation Bonds	4.37%	3,023,684	112,162	0	3,135,846	0
Premium on Bonds 2005		2,065,309	0	103,265	1,962,044	0
Total General Obligation Bonds		47,643,993	112,162	1,628,265	46,127,890	1,710,000
Loan Payable		2,022,000	0	315,000	1,707,000	322,000
Total Long Term Debt		49,665,993	112,162	1,943,265	47,834,890	2,032,000
Compensated Absences		2,746,781	993,306	814,691	2,925,396	826,601
Total Governmental Activities		<u>\$52,412,774</u>	<u>\$1,105,468</u>	<u>\$2,757,956</u>	<u>\$50,760,286</u>	<u>\$2,858,601</u>

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

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

Fiscal Year Ending June 30	General Obligation Bonds		Loan Payable		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$1,710,000	\$2,092,929	\$322,000	\$53,770	\$0	\$0
2009	1,915,000	1,983,163	330,000	43,628	0	0
2010	1,035,000	1,887,600	340,000	33,232	0	0
2011	1,175,000	1,823,043	351,000	22,522	0	0
2012	1,325,000	1,749,581	364,000	11,466	0	0
2013-2017	4,785,000	9,037,304	0	0	2,919,986	1,250,014
2018-2022	13,430,000	5,671,445	0	0	0	0
2023-2026	15,655,000	1,647,125	0	0	0	0
Total	<u>\$41,030,000</u>	<u>\$25,892,190</u>	<u>\$1,707,000</u>	<u>\$164,618</u>	<u>\$2,919,986</u>	<u>\$1,250,014</u>

9. PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the District's financial statements. On June 30, 2007, \$36,634,082 of bonds outstanding are considered defeased.

10. LOAN PAYABLE

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

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

11. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (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 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 43215-3476 or by calling toll free (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,311,780, \$1,241,016, and \$1,184,832, respectively; 49% has been contributed for fiscal year 2007 and 100% for fiscal year 2006 and 2005.

STATE TEACHERS RETIREMENT SYSTEM

The District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2007, 2006, and 2005 were \$4,639,740, \$4,443,468, and \$4,298,400, respectively; 83% has been contributed for fiscal year 2007 and 100% for fiscal year 2006 and 2005.

12. POST EMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$331,410 for fiscal year 2007.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, School District paid \$311,079 to fund health care benefits, including the surcharge.

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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

13. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2007.

LITIGATION

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

14. JOINTLY GOVERNED ORGANIZATIONS

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

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium A-site used by the District. HCCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of the School consists of one representative from each of the participating members. The degree of control exercised by any participating district is limited to its representation on the board.

15. RISK MANAGEMENT

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

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

Limits and deductible amounts for the above policies vary accordingly.

<u>Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Automobile	\$1,000,000 each occurrence	\$1,000 collision
Property	\$111,502,456 blanket coverage	\$2,500 each loss
General Liability	\$2,000,000 general aggregate	
Umbrella	\$10,000,000 (transportation only)	

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

16. ACCOUNTABILITY

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue Fund:	
Miscellaneous State Grants	\$390
Title I	34,036
IDEA Preschool Grant	2,506
Food Service	127,295

17. FUND BALANCE RESERVES FOR SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2006	(\$1,537,978)	\$ 0	\$380,716
Current Year Set-aside Requirement	1,200,906	1,200,906	0
Qualified Disbursements	(2,900,045)	(1,518,046)	0
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2007	<u>(\$3,237,117)</u>	<u>(\$ 317,140)</u>	<u>\$380,716</u>
Restricted Cash as of June 30, 2007	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$380,716</u>
Carried Forward to FY 2008	<u>(\$3,237,117)</u>	<u>\$ 0</u>	<u>\$ 0</u>

Qualifying disbursements for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks totaled \$4,438,023, resulting in \$3,237,117 for carryover to offset textbook requirements in future years.

18. INTERFUND BALANCES/TRANSFERS

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$18,000	\$0	\$0	\$386,410
Other Governmental Funds	<u>0</u>	<u>18,000</u>	<u>386,410</u>	<u>0</u>
Total all funds	<u>\$18,000</u>	<u>\$18,000</u>	<u>\$386,410</u>	<u>\$386,410</u>

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Oak Hills Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$24,362,189	\$24,552,038	\$24,651,571	\$99,533
Tuition and Fees	1,206,396	1,215,797	1,220,726	4,929
Investment Earnings	1,701,723	1,714,985	1,721,937	6,952
Intergovernmental	25,429,094	25,627,257	25,731,149	103,892
Extracurricular Activities	210,527	212,168	213,028	860
Payment in Lieu of Taxes	7,094,666	7,154,315	7,178,939	24,624
Other Revenues	546,066	550,321	552,552	2,231
Total Revenues	60,550,661	61,026,881	61,269,902	243,021
Expenditures:				
Current:				
Instruction:				
Regular	32,606,641	32,669,907	31,845,175	824,732
Special	5,874,307	5,885,705	5,737,124	148,581
Vocational	154	154	150	4
Other	207,269	207,672	202,429	5,243
Support Services:				
Pupil	3,428,440	3,435,092	3,348,375	86,717
Instructional Staff	3,713,877	3,721,082	3,627,146	93,936
General Administration	177,285	177,629	173,145	4,484
School Administration	4,650,041	4,659,063	4,541,448	117,615
Fiscal	1,042,580	1,044,603	1,018,233	26,370
Business	265,135	265,649	258,943	6,706
Operations and Maintenance	6,525,731	6,538,393	6,373,335	165,058
Pupil Transportation	2,249,945	2,254,311	2,197,402	56,909
Central	469,033	469,943	458,080	11,863
Operation of Non-Instructional Services	50,038	50,135	48,869	1,266
Extracurricular Activities	834,221	835,839	814,739	21,100
Capital Outlay	1,180,176	1,182,466	1,152,615	29,851
Total Expenditures	63,274,873	63,397,643	61,797,208	1,600,435
Excess of Revenues Over (Under) Expenditures	(2,724,212)	(2,370,762)	(527,306)	1,843,456
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	62,719	63,208	63,464	256
Advances In	19,173	19,323	19,401	78
Advances (Out)	(18,430)	(18,466)	(18,000)	466
Transfers (Out)	(395,650)	(396,417)	(386,410)	10,007
Total Other Financing Sources (Uses)	(332,188)	(332,352)	(321,545)	10,807
Net Change in Fund Balance	(3,056,400)	(2,703,114)	(848,851)	1,854,263
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	29,124,877	29,124,877	29,124,877	0
Fund Balance End of Year	\$26,068,477	\$26,421,763	\$28,276,026	\$1,854,263

See accompanying notes to the required supplementary information.

OAK HILLS LOCAL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2007

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2007.

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

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$661,798)
Net Adjustment for Revenue Accruals	519,215
Net Adjustment for Expenditure Accruals	(5,261)
Advances In	19,401
Advances Out	(18,000)
Encumbrances	<u>(702,408)</u>
Budget Basis	<u>(\$848,851)</u>

**OAK HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Program Title						
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education</i>						
Food Distribution Program	05-PU	10.550		\$26,004		\$26,004
Child Nutrition Cluster:						
School Breakfast Program	05-PU	10.553	7,973		7,973	
National School Lunch Program	04-LLP	10.555	73,550		73,550	
Special Milk Program	02-PU	10.556	66,359		66,359	
Total Child Nutrition Cluster			147,882		147,882	
Total U.S. Department of Agriculture			147,882	26,004	147,882	26,004
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SD & 6B-SF	84.027	1,948,298		1,864,460	
Special Education Preschool Grant	PG-S1	84.173	31,345		33,675	
Total Special Education Cluster			1,979,643		1,898,135	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	258,954		266,204	
Vocational Education Basic Grants to States	N/A	84.048	25,180		21,878	
Safe and Drug Free Schools	DR-S1	84.186	24,833		29,347	
State Grants for Innovative Programs	C2-S1	84.298	19,958		26,384	
Education Technology State Grants	TJ-S1	84.318	3,507		4,028	
Improving Teacher Quality	TR-S1	84.367	176,001		172,983	
Hurricane Education Recovery	HR-01	84.938	10,128		25,043	
Total U.S. Department of Education			2,498,204		2,444,002	
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Jobs & Family Services</i>						
Medical Assistance Payments - Title XIX (Community Alternative Funding System)	N/A	93.778	6,554		6,554	
Total U.S. Department of Health & Human Services			6,554		6,554	
Total			\$2,652,640	\$26,004	\$2,598,438	\$26,004

The accompanying notes are an integral part of this schedule.

**OAK HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

Oak Hills Local School District
Hamilton County
6325 Rapid Run Road
Cincinnati, Ohio 45233

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Hills Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted certain matters that we reported to the District's management in a separate letter dated August 30, 2008.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577
www.auditor.state.oh.us

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated August 30, 2008.

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

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

Mary Taylor, CPA
Auditor of State

August 30, 2008



Mary Taylor, CPA

Auditor of State

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

Oak Hills Local School District
Hamilton County
6325 Rapid Run Road
Cincinnati, Ohio 45233

To the Board of Education:

Compliance

We have audited the compliance of Oak Hills Local School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

Internal Control Over Compliance

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

Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated August 30, 2008.

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



Mary Taylor, CPA
Auditor of State

August 30, 2008

**OAK HILLS LOCAL SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (CFDA 84.027 & 84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

OAK HILLS LOCAL SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 7, 2008**