

Oak Hill Union Local School District

Jackson County, Ohio

Single Audit

July 1, 2009 through June 30, 2010

Year Audited Under GAGAS: 2010



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

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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Oak Hill Union Local School District, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 20, 2010

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Oak Hill Union Local School District  
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 For the Year Ended June 30, 2010

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### Independent Auditor's Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hill Union Local School District (the School District), Jackson County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 the 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.

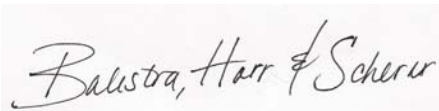
Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash basis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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hill Union Local School District, Jackson County, as of June 30, 2010, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and the Severance Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2010, on our consideration of the School 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 and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, 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 School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures 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 "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

November 1, 2010

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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The discussion and analysis of Oak Hill Union Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010, within the limitations of the District's cash basis of accounting. 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 financial performance.

## **HIGHLIGHTS**

**Key financial highlights for the fiscal year 2010 are as follows:**

- Net assets of governmental activities increased \$1,061,520.
- General cash receipts accounted for \$10,412,013 or 75% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$3,427,367 or 25% of all cash receipts.
- The District had \$12,777,860 in cash disbursements related to governmental activities; of these cash disbursements, only \$3,427,367 was offset by program specific charges for services and sales, grants, and contributions.

## **USING THE BASIC FINANCIAL STATEMENTS**

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

## **REPORT COMPONENTS**

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

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

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

## **BASIS OF ACCOUNTING**

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

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



**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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**REPORTING THE DISTRICT AS A WHOLE**

*Statement of Net Assets and Statement of Activities*

The statement of net assets and the statement of activities reflect how the District did financially during 2010, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

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

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

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The District's fiduciary funds are agency funds which are used to maintain financial activity of the District's Student Managed Activities and private purpose trust funds which are used to maintain activity for scholarship funds. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. Private purpose trust funds are used to account for assets held by the District under a trust agreement for individuals and are therefore not available to support the District's own programs. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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**THE SCHOOL 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 2010 compared to 2009.

Table 1  
Net Assets

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,232,233	\$ 10,078,068
Restricted Cash and Cash Equivalents	50,306	142,951
Total Assets	<u>11,282,539</u>	<u>10,221,019</u>
Net Assets		
Restricted	4,738,671	4,403,622
Unrestricted	6,543,868	5,817,397
Total Net Assets	<u>\$11,282,539</u>	<u>\$ 10,221,019</u>

Total assets of the District as a whole increased \$1,061,520. This increase is primarily the result of cash receipts in excess of cash disbursements, which will be further discussed under Table 2.

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2010	2009*
<b>Cash Receipts</b>		
Program Cash Receipts:		
Charges for Services and Sales	\$ 964,329	\$ 894,104
Operating Grants and Contributions	2,431,070	2,452,619
Capital Grants and Contributions	31,968	11,790
Total Program Cash Receipts	<u>3,427,367</u>	<u>3,358,513</u>
General Cash Receipts:		
Property Taxes	2,198,118	2,119,790
Grants and Entitlements, Not Restricted to Specific Programs	7,896,676	7,445,478
Investment Earnings	278,627	254,363
Proceeds from Sale of Capital Assets	635	1,535
Miscellaneous	37,957	35,884
Total General Cash Receipts	<u>10,412,013</u>	<u>9,857,050</u>
Total Cash Receipts	<u>13,839,380</u>	<u>13,215,563</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	5,732,730	5,341,923
Special	925,874	912,124
Vocational	86,775	95,912
Other	141,563	225,359
Support Services:		
Pupils	470,149	404,221
Instructional Staff	449,166	389,529
Board of Education	66,454	62,176
Administration	954,144	1,043,904
Fiscal	306,550	293,243
Operation and Maintenance of Plant	1,212,878	1,318,676
Pupil Transportation	1,004,230	863,492
Central	157,513	199,441
Operation of Non-Instructional Services	547,291	523,617
Extracurricular Activities	402,168	367,694
Capital Outlay	42,200	83,749
Debt Service:		
Principal	165,000	210,840
Interest and Fiscal Charges	113,175	122,863
Total Cash Disbursements	<u>12,777,860</u>	<u>12,458,763</u>
Change in Net Assets	1,061,520	756,800
Net Assets, Beginning of Year	<u>10,221,019</u>	<u>9,464,219</u>
Net Assets, End of Year	<u>\$ 11,282,539</u>	<u>\$ 10,221,019</u>

\* Certain amounts reclassified for consistency with current year reporting. No net effect on net assets.

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

Cash receipts increased \$623,817. The most significant increases in cash receipts were in grants and entitlements, not restricted to specific programs, primarily due to increases in cash receipts for school foundation allowance. There was also an increase in property tax collections.

Overall, cash disbursements increased \$319,097. The most significant increase was in the regular instruction, which is due to salary step increases, increases to open enrollment, increases to insurance premiums. The increase in pupil transportation is due to the District purchasing a bus in the current fiscal year. Operation and maintenance of plant decreased due to a decrease in preventive maintenance contracts and custodial supplies from the prior year.

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

Table 3  
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2010	2010	2009	2009*
Program Cash Disbursements				
Instruction:				
Regular	\$ 5,732,730	\$ 4,585,801	\$ 5,341,923	\$ 4,144,759
Special	925,874	683,958	912,124	383,059
Vocational	86,775	81,940	95,912	91,500
Other	141,563	114,981	225,359	139,196
Support Services:				
Pupils	470,149	346,680	404,221	322,615
Instructional Staff	449,166	325,688	389,529	305,186
Board of Education	66,454	62,751	62,176	59,316
Administration	954,144	867,176	1,043,904	935,615
Fiscal	306,550	289,153	293,243	237,892
Operation and Maintenance of Plant	1,212,878	823,816	1,318,676	1,237,725
Pupil Transportation	1,004,230	865,279	863,492	817,689
Central	157,513	148,736	199,441	190,267
Operation of Non-Instructional Services	547,291	(42,616)	523,617	(46,421)
Extracurricular Activities	402,168	(91,257)	367,694	(123,810)
Capital Outlay	42,200	10,232	83,749	71,959
Debt Service:				
Principal	165,000	165,000	210,840	210,840
Interest and Fiscal Charges	113,175	113,175	122,863	122,863
Total	<u>\$12,777,860</u>	<u>\$ 9,350,493</u>	<u>\$ 12,458,763</u>	<u>\$ 9,100,250</u>

\* Certain reclassifications were made for consistency with current year reporting. No net effect on net assets.

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**THE DISTRICT FUNDS**

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$14,391,974 and cash disbursements and other financing uses of \$13,330,454. The most significant change in fund balance was in the General fund.

The District's General fund cash fund balance increased by \$633,826 due primarily to an increase in intergovernmental cash receipts and property tax receipts while disbursements remained significantly less than receipts.

The District's State Share Building Capital projects fund cash fund balance increased \$35,584 primarily due to interest cash receipts.

The District's Severance Special Revenue fund cash fund balance increased by \$191,200 due to a transfer from the General fund of \$500,000, which was offset by cash disbursements of \$308,800 for severance payouts.

***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.

During 2010, revisions were made to the General fund budget. Revenues increased by \$924,640 from the original to final budget primarily due to intergovernmental revenues and property tax collections that were higher than anticipated. Appropriations decreased by \$118,382 from the original to final budget primarily due to decreases in anticipated expenditures for regular instruction, administration, pupil transportation, and operation and maintenance of plant. The General fund's ending unobligated cash balance was \$6,527,250.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$42,200 during fiscal year 2010.

***Debt***

Under the cash basis of accounting the District does not report bonds and long-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and long-term notes. At June 30, 2010 the District had \$2,490,000 in bonds for Governmental Activities. Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

Table 4  
 Outstanding Debt at June 30  
 Governmental Activities

	2010	2009
1999 Classroom Facilities Bonds	\$450,000	\$580,000
2006 Classroom Facilities Refunding Bonds	2,040,000	2,075,000
Totals	\$2,490,000	\$2,655,000

For additional information regarding debt, please see note 6 to the basic financial statements.

**Oak Hill Union Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information, contact Rhonda Harrison, Treasurer at Oak Hill Union Local School District, 205 Western Avenue, Oak Hill, Ohio 45656.

**Oak Hill Union Local School District**

*Statement of Net Assets - Cash Basis*

*As of June 30, 2010*

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	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 11,232,233
Restricted Cash and Cash Equivalents	<u>50,306</u>
<i>Total Assets</i>	<u>11,282,539</u>
NET ASSETS:	
Restricted for Debt Service	859,684
Restricted for Capital Outlay	1,598,308
Restricted for Severance	1,445,480
Restricted for Set-asides	50,306
Restricted for Other Purposes	784,893
Unrestricted	<u>6,543,868</u>
<i>Total Net Assets</i>	<u><u>\$ 11,282,539</u></u>

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

**Oak Hill Union Local School District**  
*Statement of Activities - Cash Basis*

*For the Fiscal Year Ended June 30, 2010*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
Instruction:					
Regular	\$ 5,732,730	\$ 255,995	\$ 890,934	\$ -	\$ (4,585,801)
Special	925,874	36,999	204,917	-	(683,958)
Vocational	86,775	4,835	-	-	(81,940)
Other	141,563	6,455	20,127	-	(114,981)
Support Services:					
Pupils	470,149	18,740	104,729	-	(346,680)
Instructional Staff	449,166	17,480	105,998	-	(325,688)
Board of Education	66,454	3,703	-	-	(62,751)
Administration	954,144	50,576	36,392	-	(867,176)
Fiscal	306,550	16,329	1,068	-	(289,153)
Operation and Maintenance of Plant	1,212,878	42,936	346,126	-	(823,816)
Pupil Transportation	1,004,230	54,934	84,017	-	(865,279)
Central	157,513	8,777	-	-	(148,736)
Operation of Non-Instructional Services	547,291	161,667	428,240	-	42,616
Extracurricular Activities	402,168	284,903	208,522	-	91,257
Capital Outlay	42,200	-	-	31,968	(10,232)
Debt Service:					
Principal	165,000	-	-	-	(165,000)
Interest and Fiscal Charges	113,175	-	-	-	(113,175)
<i>Total Governmental Activities</i>	<u>\$ 12,777,860</u>	<u>\$ 964,329</u>	<u>\$ 2,431,070</u>	<u>\$ 31,968</u>	<u>(9,350,493)</u>
General Cash Receipts:					
Property Taxes Levied for:					
General Purposes					1,847,399
Other Purposes					36,764
Debt Service					313,955
Grants and Entitlements, Not Restricted to Specific Programs					7,896,676
Investment Earnings					278,627
Proceeds from Sale of Capital Assets					635
Miscellaneous					37,957
<i>Total General Cash Receipts</i>					<u>10,412,013</u>
<i>Change in Net Assets</i>					<u>1,061,520</u>
<i>Net Assets Beginning of Year</i>					<u>10,221,019</u>
<i>Net Assets End of Year</i>					<u>\$ 11,282,539</u>

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



**Oak Hill Union Local School District**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*As of June 30, 2010*

	<u>General</u>	<u>State Share Building Fund Expenses</u>	<u>Severance</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 6,543,868	\$ 1,407,869	\$ 1,445,480	\$ 1,835,016	\$ 11,232,233
Restricted Cash and Cash Equivalents	50,306	-	-	-	50,306
<i>Total Assets</i>	<u>\$ 6,594,174</u>	<u>\$ 1,407,869</u>	<u>\$ 1,445,480</u>	<u>\$ 1,835,016</u>	<u>\$ 11,282,539</u>
<b>FUND BALANCES:</b>					
Reserved:					
Reserved for Encumbrances	\$ 66,924	\$ -	\$ -	\$ 92,549	\$ 159,473
Reserved for Textbooks and Instructional Materials	50,306	-	-	-	50,306
Unreserved, Undesignated, Reported in:					
General Fund	6,476,944	-	-	-	6,476,944
Special Revenue Funds	-	-	1,445,480	692,344	2,137,824
Debt Service Funds	-	-	-	859,684	859,684
Capital Projects Funds	-	1,407,869	-	190,439	1,598,308
<i>Total Fund Balances</i>	<u>\$ 6,594,174</u>	<u>\$ 1,407,869</u>	<u>\$ 1,445,480</u>	<u>\$ 1,835,016</u>	<u>\$ 11,282,539</u>

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

**Oak Hill Union Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2010

	General	State Share Building Fund Expenses	Severance	All Other Governmental Funds	Total Governmental Funds
<b>CASH RECEIPTS:</b>					
Property Taxes	\$ 1,847,399	\$ -	\$ -	\$ 350,719	\$ 2,198,118
Intergovernmental	7,914,922	-	-	2,396,628	10,311,550
Interest	243,043	35,584	-	-	278,627
Tuition and Fees	525,318	-	-	-	525,318
Extracurricular Activities	-	-	-	277,344	277,344
Gifts and Donations	-	-	-	48,164	48,164
Customer Sales and Services	-	-	-	161,667	161,667
Miscellaneous	37,461	-	-	496	37,957
<i>Total Cash Receipts</i>	<u>10,568,143</u>	<u>35,584</u>	<u>-</u>	<u>3,235,018</u>	<u>13,838,745</u>
<b>CASH DISBURSEMENTS:</b>					
Current:					
Instruction:					
Regular	4,594,117	-	262,286	876,327	5,732,730
Special	663,990	-	-	261,884	925,874
Vocational	86,775	-	-	-	86,775
Other	115,841	-	-	25,722	141,563
Support Services:					
Pupils	336,305	-	-	133,844	470,149
Instructional Staff	313,701	-	-	135,465	449,166
Board of Education	66,454	-	-	-	66,454
Administration	907,635	-	46,509	-	954,144
Fiscal	293,036	-	-	13,514	306,550
Operation and Maintenance of Plant	770,529	-	-	442,349	1,212,878
Pupil Transportation	985,857	-	5	18,368	1,004,230
Central	157,513	-	-	-	157,513
Operation of Non-Instructional Services	-	-	-	547,291	547,291
Extracurricular Activities	135,677	-	-	266,491	402,168
Capital Outlay	42,200	-	-	-	42,200
Debt Service:					
Principal	-	-	-	165,000	165,000
Interest and Fiscal Charges	-	-	-	113,175	113,175
<i>Total Cash Disbursements</i>	<u>9,469,630</u>	<u>-</u>	<u>308,800</u>	<u>2,999,430</u>	<u>12,777,860</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>1,098,513</u>	<u>35,584</u>	<u>(308,800)</u>	<u>235,588</u>	<u>1,060,885</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Transfers In	-	-	500,000	-	500,000
Advances In	43,636	-	-	8,958	52,594
Proceeds from Sale of Capital Assets	635	-	-	-	635
Transfers Out	(500,000)	-	-	-	(500,000)
Advances Out	(8,958)	-	-	(43,636)	(52,594)
<i>Total Other Financing Sources and Uses</i>	<u>(464,687)</u>	<u>-</u>	<u>500,000</u>	<u>(34,678)</u>	<u>635</u>
<i>Net Change in Fund Balances</i>	633,826	35,584	191,200	200,910	1,061,520
<i>Fund Balances at Beginning of Year</i>	<u>5,960,348</u>	<u>1,372,285</u>	<u>1,254,280</u>	<u>1,634,106</u>	<u>10,221,019</u>
<i>Fund Balances at End of Year</i>	<u>\$ 6,594,174</u>	<u>\$ 1,407,869</u>	<u>\$ 1,445,480</u>	<u>\$ 1,835,016</u>	<u>\$ 11,282,539</u>

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

**Oak Hill Union Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget (Budgetary Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

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	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Receipts and Other Sources	\$ 9,727,842	\$ 10,652,482	\$ 10,612,414	\$ (40,068)
Total Disbursements and Other Uses	10,203,962	10,085,580	10,045,512	40,068
Net Change in Fund Balance	(476,120)	566,902	566,902	-
Fund Balance at Beginning of Year	5,813,026	5,813,026	5,813,026	-
Prior Year Encumbrances Appropriated	147,322	147,322	147,322	-
Fund Balance at End of Year	\$ 5,484,228	\$ 6,527,250	\$ 6,527,250	\$ -

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

**Oak Hill Union Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget (Budgetary Basis) and Actual*  
*Severance Fund*  
*For the Fiscal Year Ended June 30, 2010*

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	Original Budget	Final Budget	Actual	Variance with Final Budget
Total Receipts and Other Sources	\$ -	\$ 500,000	\$ 500,000	\$ -
Total Disbursements and Other Uses	400,000	308,800	308,800	-
Net Change in Fund Balance	(400,000)	191,200	191,200	-
Fund Balance at Beginning of Year	1,254,280	1,254,280	1,254,280	-
Fund Balance at End of Year	\$ 854,280	\$ 1,445,480	\$ 1,445,480	\$ -

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

**Oak Hill Union Local School District**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*As of June 30, 2010*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 484,896</u>	<u>\$ 45,576</u>
<b>NET ASSETS:</b>		
Held in Trust for Scholarships	\$ 484,896	\$ -
Unrestricted	<u>-</u>	<u>45,576</u>
<i>Total Net Assets</i>	<u>\$ 484,896</u>	<u>\$ 45,576</u>

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

**Oak Hill Union Local School District**  
*Statement of Changes in Fiduciary Net Assets - Cash Basis*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2010*

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	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Interest	<u>\$ 12,243</u>
Total Additions	12,243
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>10,232</u>
Change in Net Assets	2,011
Net Assets Beginning of Year	<u>482,885</u>
Net Assets End of Year	<u><u>\$ 484,896</u></u>

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

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 1 – SUMMARY OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the Entity**

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

The District is staffed by 86 certificated employees and 53 non-certificated employees who provide services to 1,299 students.

**Reporting Entity**

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

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

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

**Fund Accounting**

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

**Governmental Funds**

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

*General Fund*

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

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**Governmental Funds (Continued)**

*State Share Building Fund Expenses Capital Projects Fund*

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

*Severance Special Revenue Fund*

This fund accounts for monies accumulated for paying termination benefits.

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District has two fiduciary funds: a private purpose trust fund used to account for college scholarship donations and an agency fund used to account for student activity programs.

**Basis of Presentation**

The District uses the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**Government-wide Financial Statements**

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

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



**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**Fund Financial Statements**

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

**Basis of Accounting**

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

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

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

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

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

**Cash Disbursements**

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

**Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation 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 amounts 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 a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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 in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported in the final column of the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2010. District funds are maintained in two checking accounts. Individual fund balance integrity is maintained through the District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to the School Board's policy. For fiscal year 2010, interest receipts amounted to \$278,627 of which \$243,043 was recorded in the General Fund and \$35,584 was recorded in the State Share Building Fund Expenses Fund.

**Capital Assets and Depreciation**

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

**Compensated Absences**

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

**Long-Term Obligations**

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

**Restricted Assets**

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

**Fund Balance Reserves**

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

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**Net Assets**

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

As of June 30, 2010, of the District's \$4,738,671 restricted net assets, \$1,445,480 was restricted by enabling legislation.

**Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated. Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

As of June 30, 2010, the District's bank balance of \$12,055,319 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 4 - BUDGETARY BASIS FUND BALANCES**

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

	General Fund	Severance Fund	
Budgetary Basis Fund Balance	\$ 6,527,250	\$ 1,445,480	
Encumbrances	66,924	-	
Fund Cash Balance	\$ 6,594,174	\$ 1,445,480	

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2010, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The Jackson and Lawrence County Treasurers collect property taxes on behalf of all taxing districts within the Counties. The Jackson and Lawrence County Auditors periodically remit to the taxing districts their portion of the taxes collected.

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

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

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$72,123,520	75.52%	\$73,353,800	75.74%
Public Utility	21,641,220	22.66%	23,204,510	23.96%
Tangible Personal Property	1,733,739	1.82%	290,340	0.30%
<b>Total Assessed Value</b>	<b>\$95,498,479</b>	<b>100.00%</b>	<b>\$96,848,650</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$25.33		\$25.33	

**NOTE 6 - DEBT OBLIGATIONS**

The School District's long-term obligations at June 30, 2010 were as follows:

Debt	Beginning Balance 6/30/2009	Additions	Payments	Ending Balance 6/30/2010	Due in One Year
1999 Classroom Facilities					
G.O. Bonds, 4.45%-5.65%	\$ 580,000	\$ -	\$ 130,000	\$ 450,000	\$ 140,000
2006 G.O. Classroom Facilities:					
Refunding Bonds, 4.19%	2,010,000	-	35,000	1,975,000	35,000
Capital Appreciation Bonds	65,000	-	-	65,000	-
<b>Total</b>	<b>\$ 2,655,000</b>	<b>\$ -</b>	<b>\$ 165,000</b>	<b>\$ 2,490,000</b>	<b>\$ 175,000</b>

On December 27, 1999, the District issued \$3,677,000 in voted general obligation bonds for constructing, renovating, and adding to buildings; furnishing and equipping such buildings; and improving District sites. The debt will be repaid from the debt service fund. On October 11, 2006, the District issued \$2,185,000 in classroom facilities general obligation refunding bonds with an interest rate of 4.19% and will mature in 2022. The proceeds were used to defease a large portion of the 1999 classroom facilities general obligation bonds. \$65,000 of the refunding bonds was capital appreciation bonds. The capital appreciation bonds will mature in fiscal years 2013 and 2014. The maturity amount of the capital appreciation bonds is \$205,000 in fiscal year 2103 and \$205,000 in fiscal year 2014, for a total \$410,000. The accretion of these capital appreciation bonds is not included in the above schedule under the cash basis of accounting. However, the total value of accretion as of June 30, 2010 was \$97,908. The debt will be repaid from the debt service fund.

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

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

The annual requirements to amortize debt outstanding as of June 30, 2010 are as follows:

1999 Classroom Facilities Bonds				2006 Classroom Facilities Refunding Bonds			
Year Ending June 30	Principal	Interest	Total	Year Ending June 30	Principal	Interest	Total
2011	\$ 140,000	\$ 29,250	\$ 169,250	2011	\$ 35,000	\$ 79,000	\$ 114,000
2012	150,000	20,150	170,150	2012	40,000	77,600	117,600
2013	160,000	10,400	170,400	2013	40,000	76,000	116,000
2014	-	-	-	2014	35,000	74,400	109,400
2015	-	-	-	2015	30,000	74,400	104,400
2016-2020	-	-	-	2016-2020	1,095,000	287,400	1,382,400
2021-2023	-	-	-	2021-2023	765,000	62,000	827,000
Total	<u>\$ 450,000</u>	<u>\$ 59,800</u>	<u>\$ 509,800</u>	Total	<u>\$2,040,000</u>	<u>\$ 730,800</u>	<u>\$2,770,800</u>

The School District's overall legal debt margin was \$7,086,063 with an unvoted debt margin of \$96,849 at June 30, 2010.

**NOTE 7 – 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. During the fiscal year ended June 30, 2010 the District contracted with SORSA for property insurance and inland marine coverage.

Professional and general liability is protected by SORSA with a \$3,000,000 single occurrence limit with \$5,000,000 aggregate and no deductible. Vehicles, property, and inland marine coverages are also provided by SORSA. Vehicle liability had a \$3,000,000 combined single limit of liability. Property insurance had a \$33,209,887 limit. The inland marine coverage includes limits of \$1,250,000 for data processing, media and equipment, \$250,000 for fine arts, and \$1,000,000 for musical and band equipment/uniforms. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years. There have been no significant reductions in coverage from the prior year.

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Compmanagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 8 - DEFINED BENEFIT PENSION PLANS**

**School Employees Retirement System**

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the years ended June 30, 2010, 2009, and 2008 were \$195,540, \$179,784, and \$165,948, respectively, which represents the required annual contribution for each year.

**State Teachers Retirement System**

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

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



**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**State Teachers Retirement System (Continued)**

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

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

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

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

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

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

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

For fiscal years 2010, 2009, and 2008, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$677,508, \$619,800, and \$591,168, respectively, which represents the required annual contribution for each year.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, two members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009, and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$48,393, \$44,271, and \$42,908 for fiscal years 2010, 2009, and 2008, respectively, which equaled the required contributions for those years.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2010, 2009, and 2008, the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent, respectively. For the District, contributions for the years ended June 30, 2010, 2009, and 2008, were \$10,615, \$9,631, and \$7,823, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$32,925, \$78,067, and \$72,716, respectively, which equaled the required contributions for those years.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

**NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS**

**South Central Ohio Computer Association**

The District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Pickaway, Gallia, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA \$119,413 for services provided during the year. Financial information for SCOCA can be obtained from their fiscal agent, Pike County Joint Vocational School, District, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

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

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

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 11 – INSURANCE PURCHASING POOL**

**Ohio School Boards Association (OSBA) Workers’ Compensation Group Rating Program**

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

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

**NOTE 12 – STATUTORY RESERVES**

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

	Textbooks and Instructional Materials	Capital Acquisition	Budget Stabilization
Set-Aside Reserve Balances as of June 30, 2009	\$ 102,883	\$ -	\$ 40,068
Current Year Set-Aside Requirement	212,329	212,329	-
Current Year Offsets	-	(34,764)	-
Qualifying Disbursements	(264,906)	(177,565)	(40,068)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ 50,306	\$ -	\$ -
Set-Aside Reserve Balance as of June 30, 2010	\$ 50,306	\$ -	\$ -

The School District had offsets during the year that reduced the set-aside amount to zero in the Capital Acquisition Reserve. The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$3,755,320 at June 30, 2010.

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 13 – CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**B. Litigation**

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

**NOTE 14 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2010, were as follows:

Funds:	Transfer To:	Transfer From:
General Fund	\$ -	\$ 500,000
Major Special Revenue Fund:		
Severance Fund	500,000	-
Total	<u>\$ 500,000</u>	<u>\$ 500,000</u>

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

**Interfund Advances**

Advances made during the year ended June 30, 2010, were as follows:

Funds:	Advance To:	Advance From:
Major Fund:		
General Fund	\$ 43,636	\$ 8,958
Total Major Fund	43,636	8,958
Non-Major Special Revenue Funds:		
Title I	-	16,818
Early Childhood	-	26,093
Preschool	636	365
Title II - D	8,322	360
Total Non-Major Special Revenue Funds	<u>8,958</u>	<u>43,636</u>
Total All Funds	<u>\$ 52,594</u>	<u>\$ 52,594</u>

Advances to the General Fund are for repayments of outstanding advances from prior years. The General Fund made advances to the Title I, Early Childhood, Preschool, and Title II-D Funds of the District in anticipation of grant monies to be received by these funds.

**Oak Hill Union Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 15 – COMPLIANCE**

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

Oak Hill Union Local School District  
Jackson County

Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	3L70	10.553	\$ 122,218	\$ -	\$ 122,218	\$ -
National School Lunch Program	3L60	10.555	265,003	25,869	265,003	25,869
Total - Nutrition Cluster			387,221	25,869	387,221	25,869
ARRA - Child Nutrition Discretionary Grants Limited Availability	3DC0	10.579	13,814	-	13,814	-
<b>Total United States Department of Agriculture</b>			401,035	25,869	401,035	25,869
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	283,813	-	283,491	-
Special Education - Preschool Grants	3C50	84.173	751	-	1,312	-
ARRA - Special Education Grants to States, Recovery Act	3DJ0	84.391	106,904	-	103,921	-
Total Special Education Cluster			391,468	-	388,724	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	467,248	-	467,740	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	146,004	-	137,164	-
Total Title I, Part A Cluster			613,252	-	604,904	-
Safe and Drug Free Schools and Communities State Grants	3D10	84.186	3,828	-	4,503	-
State Grants for Innovative Programs	3M10	84.298	2,651	-	2,945	-
Education Technology State Grants	3S20	84.318	2,752	-	1,942	-
Rural Education	3Y80	84.358	27,893	-	25,893	-
Improving Teacher Quality State Grants	3Y60	84.367	97,369	-	99,719	-
School Improvement Grants	3AN0	84.377	83,645	-	23,003	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	GRF	84.394	514,428	-	506,098	-
<b>Total United States Department of Education</b>			1,737,286	-	1,657,731	-
<b>Total Federal Financial Assistance</b>			<b>\$ 2,138,321</b>	<b>\$ 25,869</b>	<b>\$ 2,058,766</b>	<b>\$ 25,869</b>

See Notes to Schedule of Federal Awards Receipts and Expenditures.

Oak Hill Union Local School District  
Notes to Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2010

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTIONS**

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

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





**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oak Hill Union Local School District, Jackson County (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 1, 2010, wherein we noted that the School District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2010-001.

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

This report is intended solely for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

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

Balestra, Harr & Scherer, CPAs, Inc.

November 1, 2010



**Report on Compliance With Requirements Applicable to Each Major Federal Program and  
on Internal Control Over Compliance Required by OMB Circular A-133**

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Oak Hill Union Local School District, Jackson County (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. The School 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 School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 School 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 School District's compliance with those requirements.

In our opinion, the Oak Hill Union Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

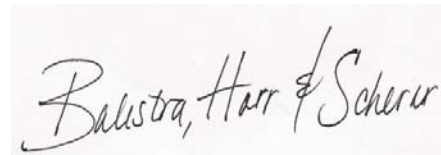
The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance (Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

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

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

Balestra, Harr & Scherer, CPAs, Inc.

November 1, 2010

OAK HILL UNION LOCAL SCHOOL DISTRICT  
 JACKSON COUNTY  
 JUNE 30, 2010

SCHEDULE OF FINDINGS  
 OMB CIRCULAR A-133 SECTION .505

**SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster, CFDA #84.010 and #84.389; Special Education Cluster, CFDA #84.027, #84.173 and #84.391; State Fiscal Stabilization Fund Cluster, CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

OAK HILL UNION LOCAL SCHOOL DISTRICT  
JACKSON COUNTY  
JUNE 30, 2010

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505

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

**Finding Number 2010-001**

**Noncompliance Citation**

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

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

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

**Client Response**

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

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

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
*OMB CIRCULAR A-133 §.315(b)*  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	A noncompliance citation was Issued for Ohio Revised Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B), for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected:  The School District's officials did not believe that preparing financial Statements in accordance with generally accepted accounting principles was cost beneficial. Reissued as Finding Number 2010-001.

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**Mary Taylor, CPA**  
Auditor of State

**OAK HILL UNION LOCAL SCHOOL DISTRICT**

**JACKSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 4, 2011**