



**Auditor of State
Betty Montgomery**

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash and Cash Equivalents and Fund Cash Balances – All Fund Types.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types	6
Combined Statement of Receipts - Budget and Actual – All Budgeted Fund Types.....	7
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority – All Budgeted Fund Types.....	8
Notes to the Financial Statements	11
Schedule of Federal Awards Receipts and Expenditures.....	25
Notes to the Schedule of Federal Awards Receipts and Expenditures	26
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	27
Independent Accountants' Report on Compliance with Requirements Applicable To Major Federal Programs and Internal Control over Compliance in Accordance with OMB Circular A-133	29
Schedule of Findings – <i>OMB Circular A-133 §.505</i>	31
Schedule of Prior Audit Findings – <i>OMB Circular A-133 §.315(b)</i>	33
Corrective Action Plan – <i>OMB Circular A-133 §.315(c)</i>	34

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Oak Hill Union Local School District
Jackson County
265 West Cross Street
Oak Hill, Ohio 45656

To the Board of Education:

We have audited the accompanying financial statements of the Oak Hill Union Local School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2003. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Oak Hill Union Local School District, Jackson County, as of June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for additional analysis as required by 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education and other officials authorized to receive this report under Section 117.26, Ohio revised Code and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 16, 2004

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS AND
FUND CASH BALANCES
ALL FUND FYPES
AS OF JUNE 30, 2003

Cash and Cash Equivalents \$7,528,803

CASH BALANCES BY FUND TYPE

Governmental Funds:

General	1,124,346
Special Revenue	296,480
Debt Service	176,484
Capital Projects	5,419,975

Proprietary Funds:

Enterprise	16,913
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Fiduciary Funds:

Expendable Trust	447,300
Agency	<u>47,305</u>

Total \$7,528,803

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

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OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Receipts from Local Sources:					
Taxes	\$1,496,036	\$36,207	\$316,524	\$	\$1,848,767
Tuition	10,498				10,498
Earnings on Investments	57,048			225,541	298,108
Extracurricular Activities		152,111			152,111
Miscellaneous Receipts	25,876				25,876
Receipts from Intermediate Sources:					
Unrestricted Grants-in-Aid	6,745	4,281			11,026
Receipts from State Sources:					
Unrestricted Grants-in-Aid	5,352,978	3,427	30,420		5,386,825
Restricted Grants-in-Aid	335,240	388,772		3,202,666	3,926,678
Receipts from Federal Sources:					
Restricted Grants-in-Aid		574,192			574,192
Revenue for/on Behalf of the District	43,656				43,656
Total Cash Receipts	7,328,077	1,158,990	346,944	3,428,207	12,277,737
Cash Disbursements:					
Instruction:					
Regular Instruction	3,159,500	499,987		2,170	3,662,657
Special Instruction	565,152	289,444			854,596
Vocational Instruction	56,555				56,555
Adult Continuing					7,700
Other Instruction	73,019				73,019
Support Services:					
Pupils	336,676	85,121			421,797
Instructional Staff	319,561	124,970		498	445,029
Board of Education	66,219				66,219
Administration	828,586	80,706			909,292
Fiscal	178,269	10,253	11,194		199,716
Operation and Maintenance	668,653	899			669,552
Pupil Transportation	794,765				794,765
Central	24,954	8,036		753	33,743
Non-Instructional Services:					
Food Services Operations		855			855
Community Services	3,841	2,000			5,841
Extracurricular Activities:					
Academic Oriented		34,638			34,638
Sports Oriented	154	106,077			106,231
Facility Acquisition and Construction:					
Site Acquisition	59,282			754,045	813,327
Site Improvements	300			13,096,193	13,096,493
Architecture and Engineering				180,825	180,825
Debt Service:					
Repayment of Debt			273,907		273,907
Total Cash Disbursements	7,135,486	1,242,986	285,101	14,034,484	22,706,757
Excess of Cash Receipts Over/(Under) Cash Disbursements	192,591	(83,996)	61,843	(10,606,277)	6,819
Other Financing Sources/(Uses):					
Proceeds of Notes				508,387	508,387
Operating Transfers-In				3,067,569	3,067,569
Sale and Loss of Assets	2,296				2,296
Advances In		13,411			13,411
Refund of Prior Yr. Expenditures	10,670				10,670
Operating Transfers-Out	(230,061)	(2,000)		(2,862,858)	(3,094,919)
Advances Out	(13,410)				(13,410)
Total Other Financing Sources (Uses)	(230,505)	11,411	0	713,098	494,004
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(37,914)	(72,585)	61,843	(9,893,179)	6,819
Fund Cash Balances, July 1	1,162,260	369,065	114,641	15,313,154	440,481
Fund Cash Balances, June 30	\$1,124,346	\$296,480	\$176,484	\$5,419,975	\$447,300

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Receipts:			
Food Service	\$57,662	\$	\$57,662
Extracurricular Activities		105,646	105,646
Total Operating Receipts	<u>57,662</u>	<u>105,646</u>	<u>163,308</u>
Operating Disbursements:			
Personal Services - Salaries	87,700		87,700
Employees' Retirement and Insurance	51,412		51,412
Purchase Service	1,149	1,214	2,363
Supplies and Materials	79,723	101,799	181,522
Other Objects	2,950	1,000	3,950
Total Operating Disbursements	<u>222,934</u>	<u>104,013</u>	<u>326,947</u>
Excess of Operating Receipts Over/(Under) Operating Disbursements	<u>(165,272)</u>	<u>1,633</u>	<u>(163,639)</u>
Non-Operating Receipts:			
Miscellaneous	6,442		6,442
State Sources:			
Restricted Grants-in-Aid	10,184		10,184
Federal Sources:			
Unrestricted Grants-in-Aid	119,763		119,763
Total Non-Operating Cash Receipts	<u>136,389</u>	<u>0</u>	<u>136,389</u>
Excess of Revenue Over/(Under) Expenses Before Interfund Transfers	(28,883)	1,633	(27,250)
Operating Transfers-In	25,000	2,414	27,414
Operating Transfers-Out		(64)	(64)
Net Excess of Revenues Over/Under Expenses	(3,883)	3,983	100
Fund Cash Balances, July 1	<u>20,796</u>	<u>43,322</u>	<u>64,118</u>
Fund Cash Balances June 31	<u>\$ 16,913</u>	<u>\$ 47,305</u>	<u>\$ 64,218</u>

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

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Governmental</u>			
General	\$7,331,034	\$7,341,043	\$10,009
Special Revenue	1,295,450	1,172,401	(123,049)
Debt Service	346,944	346,944	0
Capital Projects	6,797,356	7,004,163	206,807
<u>Proprietary</u>			
Enterprise	219,051	219,051	0
<u>Fiduciary</u>			
Expendable Trust	15,222	15,519	297
Total (Memorandum Only)	<u>\$16,005,057</u>	<u>\$16,099,121</u>	<u>\$94,064</u>

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

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

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<u>Governmental</u>			
General	\$180,238	\$7,317,998	\$7,498,236
Special Revenue	41,884	1,287,138	\$1,329,022
Debt Service	0	285,101	285,101
Capital Projects	13,817,340	4,916,237	\$18,733,577
<u>Proprietary</u>			
Enterprise	0	224,737	\$224,737
<u>Fiduciary</u>			
Expendable Trust	0	11,200	\$11,200
Total (Memorandum Only)	<u>\$14,039,462</u>	<u>\$14,042,411</u>	<u>\$28,081,873</u>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding at 06/30/03</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
7,378,957	\$119,278	\$7,498,235	\$1
1,244,986	84,036	1,329,022	0
285,101	0	285,101	0
16,897,342	1,836,235	18,733,577	0
222934	1,792	224,726	11
8700	2,500	11,200	0
\$26,038,020	\$2,043,841	\$28,081,861	\$12

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003**

1. SUMMARY OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the Entity

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

The School District is staffed by 87 certificated employees and 46 non-certificated employees who provide services to 1234 students.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate for the School 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 School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also included organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the School District. The School District is associated with the Gallia Jackson Vinton Joint Vocational School District and the South Central Ohio Computer Association, which are defined as jointly governed organizations, the Ohio School Boards Association Workers' Compensation Group Rating Program and the Ohio School Plan, which are defined as insurance purchasing pools. These organizations are presented in Notes 9 and 10.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting (Continued)

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Pooled Cash

The School District Treasurer invests available funds of the School District in interest-bearing checking accounts and certificates of deposit. This cash is pooled for investment purposes to capture the highest rate of return.

C. Fund Accounting

The School District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds.

The restrictions associated with each type of fund are as follows:

1. Governmental Fund Types

General Fund

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

Special Revenue Funds

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

1. Governmental Fund Types (Continued)

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Fund Type

Enterprise Funds

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Type

Expendable Trust and Agency Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include an expendable trust fund and agency funds.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

1. Budget

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

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

2. Tax Budget

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

By no later than January 20, the Board-adopted budget is filed with the Jackson County Budget Commission for rate determination.

3. Estimated Resources

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002, unencumbered fund balances. However, those fund balances are available for appropriations

4. Appropriations

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

5. Encumbrances

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

E. Property, Plant and Equipment

Fixed assets acquired or constructed for the School District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

F. Accumulated Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. EQUITY IN POOLED CASH

The School District maintains a cash and investments pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash and Cash Equivalents and Fund Cash Balances" as "Cash Balances by Fund Type."

State statutes classify monies held by the School 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 District 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 two year period of designation of depositories. Inactive deposits must either be 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

3. EQUITY IN POOLED CASH (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal 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;
- c. 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;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances 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 monies available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 with five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

3. EQUITY IN POOLED CASH (Continued)

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$7,528,803 and the bank balance was \$7,966,678. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$7,866,678 was collateralized by securities held by a third party bank in the School District's name.

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Education. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the School District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the School District.

5. DEBT OBLIGATIONS

The School District's long-term obligations at June 30, 2003 were as follows:

	<u>Principal</u>
Classroom Facilities Bonds at 4.45% -5.65%	\$3,415,000
OASBO School Pool 2002 Bus Debt at 5.375%	144,000
Ohio School Facilities Hardship Loan at 0%	<u>508,387</u>
Total	<u>\$4,067,387</u>

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

On August 1, 2000, the School District issued \$3,677,000 in voted general obligation bonds for constructing, renovating, and adding to buildings; furnishing and equipping such buildings; and improving School District sites.

On March 26, 2003, the School District issued a \$508,387 promissory note for the constructing, renovating, and adding to buildings; furnishing and equipping such buildings; and improving School District sites.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

5. DEBT OBLIGATIONS (Continued)

The annual requirements to amortize debt outstanding as of June 30, 2003, including interest payments, are as follows:

Year Ending 30-Jun	Classroom Facilities Bonds	School Bus Revenue Bonds	Classroom Facilities Note	Total
2004	\$284,902	\$39,545	\$101,677	\$426,124
2005	285,392	39,171	101,677	426,240
2006	285,600	39,607	101,677	426,884
2007	285,520	38,889	101,678	426,087
2008	285,147		101,678	386,825
2009-2013	1,433,225			1,433,225
2014-2018	1,435,760			1,435,760
2019-2023	1,417,071			1,417,071
	<u>\$5,712,617</u>	<u>\$157,212</u>	<u>\$508,387</u>	<u>\$6,378,216</u>

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year ending June 30, 2003 the School District contracted with Mid-American Fire & Casualty Company for property insurance and inland marine coverage.

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

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$99,618, \$52,124 and \$40,315 respectively. 100 percent has been contributed for fiscal years 2003, 2002, and 2001.

B. State Teachers Retirement System

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$474,311, \$334,956, and \$324,745 respectively; 100 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

8. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the SERS. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums.

Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$36,485, for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during 2003 fiscal year equaled \$92,689.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The School District paid SCOCA \$31,200 for services provided during the year. Financial information for SCOCA can be obtained from their fiscal agent, Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

Gallia-Jackson-Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a Board of Education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Joint Vocational School is not dependent on the School District's continued participation and no equity interest exists. During fiscal year 2003, the School District made no contributions to the Joint Vocational School. 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
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

10. INSURANCE PURCHASING POOLS

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

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

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

Ohio School Plan

The School District participates in the Ohio School plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

11. STATUTORY RESERVES

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

11. STATUTORY RESERVES (Continued)

	Textbook	Capital Acquisition	Budget Stabilization	Total
Set-aside Reserve Balance as of June 30, 2002	(\$74,365)	\$ 0	\$40,068	(\$34,297)
Current Year Set-aside Requirement	166,716	166,716	0	333,432
Qualifying Disbursements	94,509	166,716	0	261,225
Set-aside Balance Carried Forward to Future Fiscal Years	(\$2,158)	\$0	\$40,068	\$37,910
Set-aside Reserve Balance as of June 30, 2003	(\$2,158)	\$0	\$40,068	\$37,910

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. This extra amount may be used to reduce the set-aside requirement of future years.

12. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

13. CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had a site acquisition and architectural contract purchase commitment for the construction of a new 6-12 facility and the renovation of existing facilities as follows:

Contractor	Balance at 07/01/02	Additions	Amount Expended	Balance at 06/30/03
Harrison, Adkins, Harrison	\$44,182	\$0	\$29,877	\$14,305
Romig Roofing	12,408		389	12,019
Fanning, Howey & Associates	494,539		180,824	313,715
Gandee & Associates	6,208		1,332	4,876
Stockmeister Enterprises	8,767,345	57,762	8,360,828	464,279
Wasserstrom	470,117	15,267	390,610	94,774
Portland Electric	770,048	2,899	640,884	132,063
Dalmation Fire	127,436	8,824	113,448	22,812
West End Electric	747,190	163,602	725,436	185,356
Lepi Enterprises	28,516	20,151	37,616	11,051
Buchanan Sound & Communications Consortium		69,300	44,067	25,233
Communications ADC Information Technologies		177,092	138,152	38,940
Henkels and McCoy		159,385	57,437	101,948
Boise Cascade		118,000	3,658	114,342
Tom Sexton and Assoc.		190,651		190,651
M&D Blacktop Co.		150,673		150,673
		145,000		145,000
Total	\$11,467,989	\$1,278,606	\$10,724,558	\$2,022,037

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$15,126	\$	\$15,496
School Breakfast Program	10.553	05-PU-02 05-PU-03	10,095 27,119		10,095 27,119	
Total School Breakfast Program			37,214	0	37,214	0
National School Lunch Program	10.555	LL-P4-02 LL-P4-03	21,630 60,919		21,630 60,919	
Total National School Lunch Program			82,549	0	82,549	0
Total Nutrition Cluster			119,763	0	119,763	0
Total United States Department of Agriculture			119,763	15,126	119,763	15,496
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education - Grants to States (ODEA Part B)	84.027	6B-SF-02-P 6B-SF-03-P	8,178 118,564		25,203 121,073	
Total Title VI-B			126,742	0	146,276	0
Special Education - Preschool Grant	84.173	PG-S1-02 PG-S1-03	1,185		1,571 1,470	
Total Special Education - Preschool Grant			1,185	0	3,041	0
Total Special Education Cluster			127,927	0	149,317	0
Title I Grants to Local Educational Agencies	84.010	C1-S1-02 C1-S1-03	34,945 291,423		54,390 302,008	
Total Title I Grants to Local Educational Agencies			326,368	0	356,398	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-02 DR-S1-03	7,290		3,295 7,199	
Total Safe and Drug Free School and Communities - State Grants			7,290	0	10,494	0
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	G2-S2-01 G2-S4-00			19,250 330	
Total Goals 2000			0	0	19,580	0
Eisenhower Professional Development State Grants	84.281	MS-S1-03	(3,451)		3,170	
Innovative Education Program Strategies	84.298	C2-S1-03	1,307		703	
Education Technology State Grants	84.318	TJ-S1-03	4,503		2,390	
Class Size Reduction	84.340	CR-S1-02	14,466		28,449	
School Renovation, Idea and Technology Grant	84.352A	AT-S3-02	5,051		48	
Rural Education	84.358	RU-S1-03	12,507		9,042	
Improving Teacher Quality State Grants	84.367	TR-S1-03	78,226		73,553	
Total United States Department of Education			574,194	0	653,144	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program (Medicaid): Title XIX)	93.778	N/A	43,655		43,655	
Total United States Department of Health and Human Services			43,655	0	43,655	0
FEDERAL EMERGENCY MANAGEMENT AGENCY						
<i>Passed through the Ohio Emergency Management Agency:</i>						
Public Assistance Grants	83.544	DR-1453			5,020	
Total Federal Emergency Management Agency			0	0	5,020	0
Total Federal Awards Receipts and Expenditures			\$737,612	\$15,126	\$821,582	\$15,496

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A – SIGIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

NOTE C – RECLASSIFICATION OF FEDERAL FUNDS

Title II, formerly known as the Eisenhower Professional Development grant, has been combined with Title II-A, the Improving Teacher Quality grant. The \$3,451 remaining in the Title II grant was transferred to the Title II-A grant. The transfer is presented as a reduction of Title II receipts, resulting in negative receipts of (\$3,451). The following table summarizes the transfers:

Program Title	Federal CFDA Number	Transfer In	Transfer Out
Eisenhower Professional Development (Title II)	84.281		\$3,451
Improving Teacher Quality (Title II-A)	84.367	\$3,451	



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Oak Hill Union Local School District
Jackson County
265 West Cross Street
Oak Hill, Ohio 45656

To the Board of Education:

We have audited the accompanying financial statements of the Oak Hill Union Local School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated January 16, 2004, which noted the School District prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated January 16, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 16, 2004.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

Oak Hill Union Local School District
Jackson County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 16, 2004



**Auditor of State
Betty Montgomery**

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

Oak Hill Union Local School District
Jackson County
265 West Cross Street
Oak Hill, Ohio 45656

To the Board of Education:

Compliance

We have audited the compliance of Oak Hill Union Local School District, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control over Compliance

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

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

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



Betty Montgomery
Auditor of State

January 16, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions 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 weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I, Grants to Local Educational Agencies, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

FINDING NUMBER 2003-001

Noncompliance Citation

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

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

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

3. FINDINGS FOR FEDERAL AWARDS

There were no findings related to federal awards.

**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, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-10740-001	A noncompliance citation was issued under former Ohio Admin. Code Section 117-2-01, 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 2003-001.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2003-001	Due to the passage of a bond issue to build a new school and renovate existing facilities, the Board of Education chose to report on the cash basis until the construction project is complete.	June 30, 2004	Rhonda Harrison, Treasurer



**Auditor of State
Betty Montgomery**

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OAK HILL UNION LOCAL SCHOOL DISTRICT

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2004**