

Oak Hill Union Local School District
Jackson County
Single Audit
For the Fiscal Year Ended June 30, 2011



Millhuff-Stang, CPA, Inc.
1428 Gallia Street, Suite 2
Portsmouth, Ohio 45662
Phone: 740.876.8548 ■ Fax: 888.876.8549
Website: www.milhuffstangcpa.com ■ Email: natalie@milhuffstangcpa.com



Dave Yost • 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 Millhuff-Stang, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 17, 2012

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Oak Hill Union Local School District
Jackson County
Table of Contents
For the Fiscal Year Ended June 30, 2011

| Title | Page |
|---|---------|
| Independent Auditor’s Report..... | 1 – 2 |
| Management’s Discussion and Analysis..... | 3 – 9 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Assets – Cash Basis | 10 |
| Statement of Activities – Cash Basis | 11 |
| Fund Financial Statements: | |
| Statement of Assets and Fund Balances – Cash Basis – Governmental Funds..... | 12 |
| Statement of Cash Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds..... | 13 |
| Statement of Receipts, Disbursements and Changes in Fund Balance – Budget (Budgetary Basis) and Actual – General Fund | 14 |
| Statement of Fiduciary Net Assets Cash Basis – Fiduciary Funds | 15 |
| Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund | 16 |
| Notes to the Basic Financial Statements | 17 – 34 |
| Schedule of Federal Awards Expenditures..... | 35 |
| Notes to the Schedule of Federal Awards Expenditures | 36 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 37 – 38 |
| Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 39 – 40 |
| Schedule of Findings and Questioned Costs OMB Circular A-133 Section .505 | 41 – 42 |
| Schedule of Prior Audit Findings OMB Circular A-133 Section .315(b) | 43 |
| Independent Accountant’s Report on Applying Agreed-Upon Procedures..... | 44 |

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oak Hill Union Local School District, Jackson County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Hill Union Local School District, Jackson County, as of June 30, 2011, and the respective changes in cash basis financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

As described in Note 17, the District has implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 9, 2011

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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, 2011, 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 2011 are as follows:

- Net assets of governmental activities increased \$820,242.
- General cash receipts accounted for \$10,793,569 or 73% of all cash receipts. Program cash receipts in the form of charges for services and sales, grants, and contributions, accounted for \$3,895,865 or 27% of all cash receipts.
- The District had \$13,869,192 in cash disbursements related to governmental activities; of these cash disbursements, only \$3,895,865 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 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, 2011
Unaudited

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during 2011, 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 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, 2011
Unaudited

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 2011 compared to 2010.

Table 1
Net Assets

| Assets | Governmental Activities | |
|--|-------------------------|---------------|
| | 2011 | 2010* |
| Equity in Pooled Cash and Cash Equivalents | \$12,095,881 | \$ 11,275,639 |
| Total Assets | 12,095,881 | 11,275,639 |
| Net Assets | | |
| Restricted | 3,351,752 | 4,731,771 |
| Unrestricted | 8,744,129 | 6,543,868 |
| Total Net Assets | \$12,095,881 | \$ 11,275,639 |

*Amount restated, see Note 17 for additional information.

Total assets and net assets of the District as a whole increased \$820,242. 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, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

Table 2
Changes in Net Assets

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | 2011 | 2010* |
| Cash Receipts | | |
| Program Cash Receipts: | | |
| Charges for Services and Sales | \$ 982,906 | \$ 964,329 |
| Operating Grants and Contributions | 2,861,102 | 2,366,043 |
| Capital Grants and Contributions | 51,857 | 31,968 |
| Total Program Cash Receipts | <u>3,895,865</u> | <u>3,362,340</u> |
| General Cash Receipts: | | |
| Property Taxes | 2,229,589 | 2,198,118 |
| Grants and Entitlements, Not Restricted to Specific Programs | 8,076,210 | 7,961,703 |
| Investment Earnings | 304,661 | 278,627 |
| Proceeds from Sale of Capital Assets | 938 | 635 |
| Miscellaneous | 182,171 | 37,957 |
| Total General Cash Receipts | <u>10,793,569</u> | <u>10,477,040</u> |
| Total Cash Receipts | <u>14,689,434</u> | <u>13,839,380</u> |
| Program Cash Disbursements | | |
| Instruction: | | |
| Regular | 5,851,264 | 5,732,730 |
| Special | 1,028,537 | 925,874 |
| Vocational | 92,557 | 86,775 |
| Other | 144,784 | 141,563 |
| Support Services: | | |
| Pupils | 585,732 | 470,149 |
| Instructional Staff | 691,330 | 449,166 |
| Board of Education | 71,338 | 66,454 |
| Administration | 869,320 | 954,144 |
| Fiscal | 439,666 | 306,550 |
| Operation and Maintenance of Plant | 1,282,571 | 1,212,878 |
| Pupil Transportation | 1,214,671 | 1,004,230 |
| Central | 165,503 | 157,513 |
| Operation of Non-Instructional Services | 611,156 | 547,291 |
| Extracurricular Activities | 369,280 | 402,168 |
| Capital Outlay | 173,483 | 42,200 |
| Debt Service: | | |
| Principal | 175,000 | 165,000 |
| Interest and Fiscal Charges | 103,000 | 113,175 |
| Total Cash Disbursements | <u>13,869,192</u> | <u>12,777,860</u> |
| Change in Net Assets | 820,242 | 1,061,520 |
| Net Assets, Beginning of Year** | <u>11,275,639</u> | <u>10,214,119</u> |
| Net Assets, End of Year | <u>\$ 12,095,881</u> | <u>\$ 11,275,639</u> |

* Certain amounts reclassified for consistency with current year reporting.

** Amount restated, see Note 17 for additional information.

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Cash receipts increased \$850,054. The most significant increases in cash receipts were in operating grants and contributions due to the District receiving additional funding for Title I and other ARRA programs.

Overall, cash disbursements increased \$1,091,332. Regular and special instruction increased due to increases in salaries and health insurance premiums. Pupils increased due to the addition of a director position for student services. Instructional staff increased due to increased expenditures for Title II-D and Title I programs as a direct result of increased receipts. Administration decreased due to the elimination of an assistant principal position. Fiscal increased due to retirement payouts. Pupil Transportation increased due to increased diesel fuel purchases and the addition of three new school buses.

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 receipts and unrestricted state entitlements.

Table 3
 Governmental Activities

| | <u>Total Cost of Services</u> 2011 | <u>Net Cost of Services</u> 2011 | <u>Total Cost of Services</u> 2010 | <u>Net Cost of Services</u> 2010* |
|---|---|---|---|--|
| Program Cash Disbursements | | | | |
| Instruction: | | | | |
| Regular | \$ 5,851,264 | \$ 4,684,484 | \$ 5,732,730 | \$ 4,585,801 |
| Special | 1,028,537 | 692,100 | 925,874 | 683,958 |
| Vocational | 92,557 | 87,302 | 86,775 | 81,940 |
| Other | 144,784 | 102,720 | 141,563 | 114,981 |
| Support Services: | | | | |
| Pupils | 585,732 | 452,015 | 470,149 | 346,680 |
| Instructional Staff | 691,330 | 385,828 | 449,166 | 325,688 |
| Board of Education | 71,338 | 67,288 | 66,454 | 62,751 |
| Administration | 869,320 | 819,968 | 954,144 | 867,176 |
| Fiscal | 439,666 | 414,237 | 306,550 | 289,153 |
| Operation and Maintenance of Plant | 1,282,571 | 823,404 | 1,212,878 | 823,816 |
| Pupil Transportation | 1,214,671 | 1,041,408 | 1,004,230 | 930,306 |
| Central | 165,503 | 156,107 | 157,513 | 148,736 |
| Operation of Non-Instructional Services | 611,156 | (58,550) | 547,291 | (42,616) |
| Extracurricular Activities | 369,280 | (94,610) | 402,168 | (91,257) |
| Capital Outlay | 173,483 | 121,626 | 42,200 | 10,232 |
| Debt Service: | | | | |
| Principal | 175,000 | 175,000 | 165,000 | 165,000 |
| Interest and Fiscal Charges | 103,000 | 103,000 | 113,175 | 113,175 |
| Total | <u>\$13,869,192</u> | <u>\$ 9,973,327</u> | <u>\$ 12,777,860</u> | <u>\$ 9,415,520</u> |

* Certain reclassifications were made for consistency with current year reporting.

Oak Hill Union Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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 \$14,775,642 and cash disbursements and other financing uses of \$13,955,400. The most significant change in fund balance was in the General fund.

The District's General fund cash fund balance increased by \$705,107 due primarily to an increase in intergovernmental cash receipts and a decrease to transfers out.

The District's State Share Building Capital projects fund cash fund balance increased \$36,681 due to interest cash receipts.

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 2011, revisions were made to the General fund budget. Receipts and other financing sources increased by \$520,042 from the original to final budget primarily due to intergovernmental revenues and property tax collections that were higher than anticipated. Appropriations increased by \$75,574 from the original to final budget primarily due to increases in anticipated expenditures for pupils, pupil transportation, and operation and maintenance of plant. These increases were partially offset by a decrease in anticipated expenditures for regular instruction and instructional staff. The General fund's ending unobligated cash balance was \$7,153,130.

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 \$173,483 during fiscal year 2011.

Debt

Under the cash basis of accounting the District does not report bonds 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. At June 30, 2011 the District had \$2,315,000 in bonds for Governmental Activities. Table 4 summarizes bonds outstanding for Governmental Activities for the past two years:

Table 4
 Outstanding Debt at June 30
 Governmental Activities

| | 2011 | 2010 |
|---|-------------|-------------|
| 1999 Classroom Facilities Bonds | \$310,000 | \$450,000 |
| 2006 Classroom Facilities Refunding Bonds | 2,005,000 | 2,040,000 |
| Totals | \$2,315,000 | \$2,490,000 |

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, 2011
Unaudited

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, 2011

| | Governmental Activities |
|---|----------------------------|
| ASSETS: | |
| Equity in Pooled Cash and Cash Equivalents | \$ 12,095,881 |
| <i>Total Assets</i> | 12,095,881 |
| NET ASSETS: | |
| Restricted for Debt Service | 911,910 |
| Restricted for Capital Outlay | 1,666,846 |
| Restricted for Food Service Operations | 121,470 |
| Restricted for Classroom Facilities Maintenance | 471,359 |
| Restricted for Set-asides | 34,590 |
| Restricted for Other Purposes | 145,577 |
| Unrestricted | 8,744,129 |
| <i>Total Net Assets</i> | \$ 12,095,881 |

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, 2011

| | 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 | \$ 5,851,264 | \$ 271,724 | \$ 895,056 | \$ - | \$ (4,684,484) |
| Special | 1,028,537 | 38,249 | 298,188 | - | (692,100) |
| Vocational | 92,557 | 5,255 | - | - | (87,302) |
| Other | 144,784 | 5,768 | 36,296 | - | (102,720) |
| Support Services: | | | | | |
| Pupils | 585,732 | 25,975 | 107,742 | - | (452,015) |
| Instructional Staff | 691,330 | 19,960 | 285,542 | - | (385,828) |
| Board of Education | 71,338 | 4,050 | - | - | (67,288) |
| Administration | 869,320 | 49,352 | - | - | (819,968) |
| Fiscal | 439,666 | 24,142 | 1,287 | - | (414,237) |
| Operation and Maintenance of Plant | 1,282,571 | 44,825 | 414,342 | - | (823,404) |
| Pupil Transportation | 1,214,671 | 62,170 | 111,093 | - | (1,041,408) |
| Central | 165,503 | 9,396 | - | - | (156,107) |
| Operation of Non-Instructional Services | 611,156 | 156,053 | 513,653 | - | 58,550 |
| Extracurricular Activities | 369,280 | 265,987 | 197,903 | - | 94,610 |
| Capital Outlay | 173,483 | - | - | 51,857 | (121,626) |
| Debt Service: | | | | | |
| Principal | 175,000 | - | - | - | (175,000) |
| Interest and Fiscal Charges | 103,000 | - | - | - | (103,000) |
| Total Governmental Activities | <u>\$ 13,869,192</u> | <u>\$ 982,906</u> | <u>\$ 2,861,102</u> | <u>\$ 51,857</u> | <u>(9,973,327)</u> |
| General Cash Receipts: | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 1,890,554 |
| Other Purposes | | | | | 36,532 |
| Debt Service | | | | | 302,503 |
| Grants and Entitlements, Not Restricted to Specific Programs | | | | | 8,076,210 |
| Investment Earnings | | | | | 304,661 |
| Proceeds from Sale of Capital Assets | | | | | 938 |
| Miscellaneous | | | | | 182,171 |
| Total General Cash Receipts | | | | | <u>10,793,569</u> |
| Change in Net Assets | | | | | 820,242 |
| Net Assets Beginning of Year, As Restated See Note 17 | | | | | <u>11,275,639</u> |
| Net Assets End of Year | | | | | <u>\$ 12,095,881</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, 2011

| | <u>General</u> | <u>State Share Building Fund Expenses</u> | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|---|
| ASSETS: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 8,744,129 | \$ 1,444,550 | \$ 1,872,612 | \$ 12,061,291 |
| Restricted Equity in Pooled Cash and Cash Equivalents | <u>34,590</u> | <u>-</u> | <u>-</u> | <u>34,590</u> |
| <i>Total Assets</i> | <u>\$ 8,778,719</u> | <u>\$ 1,444,550</u> | <u>\$ 1,872,612</u> | <u>\$ 12,095,881</u> |
| FUND BALANCES: | | | | |
| Restricted | \$ 34,590 | \$ 1,444,550 | \$ 1,855,611 | \$ 3,334,751 |
| Committed | 1,464,226 | - | 17,001 | 1,481,227 |
| Assigned | 162,334 | - | - | 162,334 |
| Unassigned | <u>7,117,569</u> | <u>-</u> | <u>-</u> | <u>7,117,569</u> |
| <i>Total Fund Balances</i> | <u>\$ 8,778,719</u> | <u>\$ 1,444,550</u> | <u>\$ 1,872,612</u> | <u>\$ 12,095,881</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, 2011

| | General | State Share Building Fund Expenses | All Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--|---------------------------------|-----------------------------|
| CASH RECEIPTS: | | | | |
| Property Taxes | \$ 1,890,554 | \$ - | \$ 339,035 | \$ 2,229,589 |
| Intergovernmental | 8,041,755 | - | 2,889,188 | 10,930,943 |
| Interest | 265,188 | 36,681 | 2,792 | 304,661 |
| Tuition and Fees | 546,250 | - | - | 546,250 |
| Extracurricular Activities | 22,211 | - | 258,392 | 280,603 |
| Gifts and Donations | - | - | 58,226 | 58,226 |
| Customer Sales and Services | - | - | 156,053 | 156,053 |
| Miscellaneous | 170,205 | - | 11,966 | 182,171 |
| <i>Total Cash Receipts</i> | <u>10,936,163</u> | <u>36,681</u> | <u>3,715,652</u> | <u>14,688,496</u> |
| CASH DISBURSEMENTS: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,786,306 | - | 1,064,958 | 5,851,264 |
| Special | 673,746 | - | 354,791 | 1,028,537 |
| Vocational | 92,557 | - | - | 92,557 |
| Other | 101,598 | - | 43,186 | 144,784 |
| Support Services: | | | | |
| Pupils | 457,538 | - | 128,194 | 585,732 |
| Instructional Staff | 351,585 | - | 339,745 | 691,330 |
| Board of Education | 71,338 | - | - | 71,338 |
| Administration | 869,320 | - | - | 869,320 |
| Fiscal | 425,247 | - | 14,419 | 439,666 |
| Operation and Maintenance of Plant | 789,577 | - | 492,994 | 1,282,571 |
| Pupil Transportation | 1,095,093 | - | 119,578 | 1,214,671 |
| Central | 165,503 | - | - | 165,503 |
| Operation of Non-Instructional Services | - | - | 611,156 | 611,156 |
| Extracurricular Activities | 133,810 | - | 235,470 | 369,280 |
| Capital Outlay | 150,484 | - | 22,999 | 173,483 |
| Debt Service: | | | | |
| Principal | - | - | 175,000 | 175,000 |
| Interest and Fiscal Charges | - | - | 103,000 | 103,000 |
| <i>Total Cash Disbursements</i> | <u>10,163,702</u> | <u>-</u> | <u>3,705,490</u> | <u>13,869,192</u> |
| <i>Excess of Cash Receipts Over (Under) Cash Disbursements</i> | <u>772,461</u> | <u>36,681</u> | <u>10,162</u> | <u>819,304</u> |
| OTHER FINANCING SOURCES AND USES: | | | | |
| Transfers In | - | - | 20,000 | 20,000 |
| Advances In | 8,958 | - | 57,250 | 66,208 |
| Proceeds from Sale of Capital Assets | 938 | - | - | 938 |
| Transfers Out | (20,000) | - | - | (20,000) |
| Advances Out | (57,250) | - | (8,958) | (66,208) |
| <i>Total Other Financing Sources and Uses</i> | <u>(67,354)</u> | <u>-</u> | <u>68,292</u> | <u>938</u> |
| <i>Net Change in Fund Balances</i> | 705,107 | 36,681 | 78,454 | 820,242 |
| <i>Fund Balances at Beginning of Year, As Restated See Note 17</i> | <u>8,073,612</u> | <u>1,407,869</u> | <u>1,794,158</u> | <u>11,275,639</u> |
| <i>Fund Balances at End of Year</i> | <u>\$ 8,778,719</u> | <u>\$ 1,444,550</u> | <u>\$ 1,872,612</u> | <u>\$ 12,095,881</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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|------------------------|---------------------|---------------------|---------------------------------------|
| Total Receipts and Other Sources | \$ 10,263,446 | \$ 10,783,488 | \$ 10,783,488 | \$ - |
| Total Disbursements and Other Uses | 10,148,980 | 10,224,554 | 10,224,532 | 22 |
| Net Change in Fund Balance | 114,466 | 558,934 | 558,956 | 22 |
| Fund Balance at Beginning of Year | 6,527,250 | 6,527,250 | 6,527,250 | - |
| Prior Year Encumbrances Appropriated | 66,924 | 66,924 | 66,924 | - |
| Fund Balance at End of Year | <u>\$ 6,708,640</u> | <u>\$ 7,153,108</u> | <u>\$ 7,153,130</u> | <u>\$ 22</u> |

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

Oak Hill Union Local School District
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
As of June 30, 2011

| | <u>Private Purpose Trust Fund</u> | <u>Agency Fund</u> |
|--|---|--------------------|
| ASSETS: | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 493,753</u> | <u>\$ 43,600</u> |
| NET ASSETS: | | |
| Held in Trust for Scholarships | \$ 493,753 | \$ - |
| Unrestricted | <u>-</u> | <u>43,600</u> |
| <i>Total Net Assets</i> | <u>\$ 493,753</u> | <u>\$ 43,600</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, 2011

| | Private Purpose Trust Fund |
|---|----------------------------------|
| ADDITIONS: | |
| Gifts and Contributions | \$ 6,270 |
| Interest | 12,337 |
| Total Additions | 18,607 |
| DEDUCTIONS: | |
| Payments in Accordance with Trust Agreements | 16,650 |
| Change in Net Assets | 1,957 |
| Net Assets Beginning of Year - As Restated, See Note 17 | 491,796 |
| Net Assets End of Year | \$ 493,753 |

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, 2011

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 85 certificated employees, 53 non-certificated employees, and 8 administrators who provide services to 1,387 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 operating fund of the District and is used to account for all financial resources, not accounted for and reported in another fund. The General Fund balance 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, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

State Share Building Fund Expenses Capital Projects Fund – The State Share Building Fund Expenses Capital Projects Fund accounts for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the construction and equipping of buildings. The major source of revenue for this fund is grant monies received from the Ohio School Facilities Commission.

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, 2011

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, 2011

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, 2011. 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 2011, interest receipts amounted to \$316,998 of which \$265,188 was recorded in the General Fund, \$36,681 was recorded in the State Share Building Fund Expenses Fund, \$2,792 was recorded in the Food Service Fund, and \$12,337 was recorded in the Private Purpose Trust 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 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.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Assets

Net cash assets represent the cash assets held by the School District at year end. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for state and federal programs. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2011, of the District’s \$3,351,752 in restricted net assets, none was restricted by enabling legislation.

Interfund Transactions

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

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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;
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;

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2011, the District's bank balance of \$12,990,651 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, 2011

NOTE 4 - BUDGETARY BASIS FUND BALANCES

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget (budgetary basis) and actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarizes the adjustments necessary to reconcile the cash basis and the budgetary basis statements for the General Fund.

| Net Change in Fund Balance | |
|---|------------------|
| | General Fund |
| Cash Basis (as reported) | \$705,107 |
| Perspective Difference: | |
| Activity of Funds Reclassified for Cash Reporting Purposes | (22,417) |
| Encumbrances | (123,734) |
| Budget Basis | <u>\$558,956</u> |

As a part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that are legally budgeted in special revenue funds are considered part of the General Fund on a cash basis. This includes the Public School Support and Severance Funds. These funds were excluded from the budgetary presentation for the General Fund.

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected in 2011 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 2011 (other than public utility property tax) represents the collection of 2011 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 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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, 2011

NOTE 5 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

| | 2010 Second- Half Collections | | 2011 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$73,353,800 | 75.74% | \$73,908,810 | 75.64% |
| Public Utility | 23,204,510 | 23.96% | 23,689,950 | 24.24% |
| Tangible Personal Property | 290,340 | 0.30% | 119,100 | 0.12% |
| Total Assessed Value | <u>\$96,848,650</u> | <u>100.00%</u> | <u>\$97,717,860</u> | <u>100.00%</u> |
| 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, 2011 were as follows:

| Debt | Beginning Balance 6/30/2010 | Additions | Payments | Ending Balance 6/30/2011 | Due in One Year |
|---|-----------------------------------|-------------|-------------------|--------------------------------|--------------------|
| 1999 Classroom Facilities G.O. Bonds, 4.45%-5.65% | \$ 450,000 | \$ - | \$ 140,000 | \$ 310,000 | \$ 150,000 |
| 2006 G.O. Classroom Facilities: Refunding Bonds, 4.19% | 1,975,000 | - | 35,000 | 1,940,000 | 40,000 |
| Capital Appreciation Bonds | 65,000 | - | - | 65,000 | - |
| Total | <u>\$ 2,490,000</u> | <u>\$ -</u> | <u>\$ 175,000</u> | <u>\$ 2,315,000</u> | <u>\$ 190,000</u> |

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 2013 and \$205,000 in fiscal year 2014, for a total of \$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, 2011 was \$138,212. 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, 2011

NOTE 6 - DEBT OBLIGATIONS (Continued)

The annual requirements to amortize debt outstanding as of June 30, 2011 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 |
| 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 | - | - | - | 2016 | 205,000 | 74,400 | 279,400 |
| 2017-2021 | - | - | - | 2017-2021 | 1,135,000 | 243,600 | 1,378,600 |
| 2022-2023 | - | - | - | 2022-2023 | 520,000 | 31,400 | 551,400 |
| Total | <u>\$ 310,000</u> | <u>\$ 30,550</u> | <u>\$ 340,550</u> | Total | <u>\$2,005,000</u> | <u>\$ 651,800</u> | <u>\$2,656,800</u> |

The School District's overall legal debt margin was \$7,391,517 with an unvoted debt margin of \$97,718 at June 30, 2011.

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, 2011 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 \$33,313,837 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 2011, 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, 2011

NOTE 8 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor 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 can be obtained on SERS' website, at www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent 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 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$214,200, \$195,540, and \$179,784, respectively, which equaled 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 for 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, 2011

NOTE 8 - DEFINED BENEFIT PENSION PLANS (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 equivalent lump-sum payment in addition to the original retirement allowance. 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 DB Plan participants.

The DB 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 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB 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 the fiscal years ended June 30, 2011, 2010, and 2009, plan members were required to contribute 10 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. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$684,216, \$677,508, and \$619,800, respectively; which were equal to the required amounts for those years.

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.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, 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

State Teachers Retirement System

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 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, 2011, 2010, and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$48,873, \$48,393, and \$44,271 for fiscal years 2011, 2010, and 2009, respectively; which is equal to the required amounts for those years.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

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 2011 was \$96.40 for most participants, but could be as high as \$369.10 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 2011, 2010, and 2009, the actuarially required allocations were 0.76 percent, 0.76 percent, and 0.75 percent, respectively. For the District, contributions for the years ended June 30, 2011, 2010, and 2009, were \$11,628, \$10,615, and \$9,631, which equaled the required contributions for those years.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

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).

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, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. 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 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$49,568, \$32,925, and \$78,067, respectively; which is equal to the required amounts for those years.

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 under *Employer/Audit Resources*.

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 \$134,386 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.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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.

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 SET-ASIDES

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

| | Textbooks and Instructional Materials | Capital Acquisition |
|---|---|------------------------|
| Set-Aside Balances as of June 30, 2010 | \$ 50,306 | \$ - |
| Current Year Set-Aside Requirement | 194,162 | 194,162 |
| Current Year Offsets | - | (36,532) |
| Qualifying Disbursements | (209,878) | (157,630) |
| Set-Aside Balance Carried Forward to Future Fiscal Years | \$ 34,590 | \$ - |
| Set-Aside Balance as of June 30, 2011 | \$ 34,590 | \$ - |

The School District had offsets during the year that reduced the set-aside amount to zero in the Capital Acquisition Set-Aside. The carryover amount in the Capital Acquisition Set-Aside 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, 2011.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011.

B. Litigation

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

NOTE 14 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2011, were as follows:

| Funds: | Transfer To: | Transfer From: |
|-------------------------------------|------------------|-------------------|
| General Fund | \$ - | \$ 20,000 |
| Non-Major Fund: | | |
| Baseball Field Capital Project Fund | 20,000 | - |
| Total | <u>\$ 20,000</u> | <u>\$ 20,000</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, 2011, were as follows:

| Funds: | Advance To: | Advance From: |
|---------------------------------------|------------------|------------------|
| Major Fund: | | |
| General Fund | \$ 8,958 | \$ 57,250 |
| Total Major Fund | 8,958 | 57,250 |
| Non-Major Special Revenue Funds: | | |
| Title I | 5,548 | - |
| ARRA IDEA Part B | 35,368 | - |
| Preschool | 2,380 | 636 |
| ARRA Title II - D | 13,954 | - |
| Title II - D | - | 8,322 |
| Total Non-Major Special Revenue Funds | <u>57,250</u> | <u>8,958</u> |
| Total All Funds | <u>\$ 66,208</u> | <u>\$ 66,208</u> |

Advances to the General Fund are for repayments of outstanding advances from prior years. The General Fund made advances to the Title I, ARRA IDEA Part B, Preschool, and ARRA Title II-D 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, 2011

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.

NOTE 16 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund Balances | General | State Share Building Fund Expenses | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------|--------------------|--|-----------------------------------|--------------------------------|
| Restricted for | | | | |
| Food Service Operations | \$0 | \$0 | \$121,470 | \$121,470 |
| Other Purposes | 0 | 0 | 27,765 | 27,765 |
| Construction | 0 | 1,444,550 | 0 | 1,444,550 |
| Classroom Facilities | 0 | 0 | 471,359 | 471,359 |
| Textbooks | 34,590 | 0 | 0 | 34,590 |
| Athletics | 0 | 0 | 100,811 | 100,811 |
| Debt Services Payments | 0 | 0 | 911,910 | 911,910 |
| Capital Projects | 0 | 0 | 222,296 | 222,296 |
| Total Restricted | <u>34,590</u> | <u>1,444,550</u> | <u>1,855,611</u> | <u>3,334,751</u> |
| Committed to | | | | |
| Other Purposes | 0 | 0 | 17,001 | 17,001 |
| Severance Payments | <u>1,464,226</u> | <u>0</u> | <u>0</u> | <u>1,464,226</u> |
| Total Committed | <u>1,464,226</u> | <u>0</u> | <u>17,001</u> | <u>1,481,227</u> |
| Assigned to | | | | |
| Other Purposes | <u>162,334</u> | <u>0</u> | <u>0</u> | <u>162,334</u> |
| Unassigned (Deficit) | <u>7,117,569</u> | <u>0</u> | <u>0</u> | <u>7,117,569</u> |
| Total Fund Balances | <u>\$8,778,719</u> | <u>\$1,444,550</u> | <u>\$1,872,612</u> | <u>\$12,095,881</u> |

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds, and resulted in the following restatement of the School District's financial statements.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES (Continued)

| | General | State Share Building Fund Expenses | Severance | All Other Governmental | Total |
|--|--------------------|--|-------------|----------------------------|--------------------------|
| Fund Balances, June 30, 2010 | \$6,594,174 | \$1,407,869 | \$1,445,480 | \$1,835,016 | \$11,282,539 |
| GASB 54 Fund Reclassifications | 1,479,438 | 0 | (1,445,480) | (40,858) | (6,900) |
| Restated Fund Balances, June 30, 2010 | <u>\$8,073,612</u> | <u>\$1,407,869</u> | <u>\$0</u> | <u>\$1,794,158</u> | <u>\$11,275,639</u> |
| | | | | Governmental Activities | Private Purpose Trust |
| Net Assets, June 30, 2010 | | | | \$11,282,539 | \$484,896 |
| GASB 54 Fund Reclassifications | | | | (6,900) | 6,900 |
| Net Assets, Restated June 30, 2010 | | | | <u>\$11,275,639</u> | <u>\$491,796</u> |

Oak Hill Union Local School District
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2011

| Federal Grantor/Pass Through Grantor/Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|-------------------------------------|---------------------------|--------------------|----------------------|--------------------|---------------------------|
| <u>United States Department of Agriculture</u> | | | | | | |
| <i>Passed through the Ohio Department of Education</i> | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program | 3L70 | 10.553 | \$134,136 | \$0 | \$134,136 | \$0 |
| National School Lunch Program | 3L60 | 10.555 | 207,496 | 36,008 | 207,496 | 36,008 |
| Total Child Nutrition Cluster | | | 341,632 | 36,008 | 341,632 | 36,008 |
| Total United States Department of Agriculture | | | 341,632 | 36,008 | 341,632 | 36,008 |
| <u>United States Department of Education</u> | | | | | | |
| <i>Passed through the Ohio Department of Education</i> | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education-Grants to States | 3M20 | 84.027 | 249,782 | 0 | 284,422 | 0 |
| Special Education-Grants to States, Recovery Act | 3DJ0 | 84.391 | 142,914 | 0 | 178,492 | 0 |
| Special Education-Preschool Grants | 3C50 | 84.173 | 2,355 | 0 | 1,719 | 0 |
| Special Education-Preschool Grants, Recovery Act | 3DL0 | 84.392 | 7,994 | 0 | 10,374 | 0 |
| Total Special Education Cluster | | | 403,045 | 0 | 475,007 | 0 |
| Title I Cluster: | | | | | | |
| Title I Grants to Local Educational Agencies | 3M00 | 84.010 | 604,962 | 0 | 621,624 | 0 |
| Title I Grants to Local Educational Agencies, Recovery Act | 3DK0 | 84.389 | 214,489 | 0 | 219,319 | 0 |
| Total Title I Cluster | | | 819,451 | 0 | 840,943 | 0 |
| Education Technology Cluster | | | | | | |
| Educational Technology State Grants | 3S20 | 84.318 | 4,079 | 0 | 4,519 | 0 |
| Education Technology State Grants, Recovery Act | 3DM0 | 84.386 | 207,293 | 0 | 218,169 | 0 |
| Total Education Technology Cluster | | | 211,372 | 0 | 222,688 | 0 |
| State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | GRF | 84.394 | 650,255 | 0 | 658,585 | 0 |
| Safe and Drug Free Schools and Communities-State Grants | 3D10 | 84.186 | 3,250 | 0 | 3,250 | 0 |
| Rural Education | 3Y80 | 84.358 | 32,354 | 0 | 34,249 | 0 |
| School Improvement Grants | 3AN0 | 84.377 | 0 | 0 | 3,000 | 0 |
| Improving Teacher Quality State Grants | 3Y60 | 84.367 | 99,590 | 0 | 98,954 | 0 |
| Total United States Department of Education | | | 2,219,317 | 0 | 2,336,676 | 0 |
| Total Federal Financial Assistance | | | \$2,560,949 | \$36,008 | \$2,678,308 | \$36,008 |

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

Oak Hill Union Local School District
Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2011

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures includes the federal grant activity of the District and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the schedule using the entitlement value of the commodities received. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Hill Union Local School District, Jackson County, (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011, wherein we noted the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and that the District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles general accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

We noted certain matters that we reported to management of the District in a separate letter dated December 9, 2011.

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

This report is intended solely for the information and use of management, the Board of Education, others within the District, 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.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 9, 2011

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited Oak Hill Union Local School District's, Jackson County, (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 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 noted certain matters that we reported to management of the District in a separate letter dated December 9, 2011.

This report is intended solely for the information and use of management, the Board of Education, others within the District, 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.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 9, 2011

Oak Hill Union Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

Section I – Summary of Auditor’s Results

| | | |
|---|---|---|
| <i>Financial Statements</i> | | |
| Type of financial statement opinion: | | Unqualified |
| Internal control over financial reporting: | | |
| | Material weakness(es) identified? | No |
| | Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| Noncompliance material to financial statements noted? | | Yes |
| | | |
| <i>Federal Awards</i> | | |
| Internal control over major program(s): | | |
| | Material weakness(es) identified? | No |
| | Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| Type of auditor’s report issued on compliance for major programs: | | Unqualified |
| Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | | No |
| Identification of major program(s): | | Child Nutrition Cluster (CFDA #10.553 and #10.555); Special Education Cluster (CFDA #84.027, #84.391, #84.173, and #84.392); Title I Cluster (CFDA #84.010 and #84.389); State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act (CFDA #84.394) |
| Dollar threshold used to distinguish between type A and type B programs: | | \$300,000 |
| Auditee qualified as low-risk auditee? | | No |

Oak Hill Union Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

Section II – Financial Statement Findings

Finding 2010-1

Noncompliance – Financial Reporting

Ohio Revised 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 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. Pursuant to Ohio Revised Code Section 117.38, the District is subject to fines and various other administrative remedies. The District should consider filing on a GAAP basis in order to comply with state regulations.

Client Response:

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

Section III – Federal Award Findings and Questioned Costs

None

Oak Hill Union Local School District
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Fiscal Year Ended June 30, 2011

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|------------------|--|------------------|--|
| Finding 2010-001 | Noncompliance with ORC Section 117.38 and OAC Section 117-2-03 – Annual Financing Report | No | Reissued as finding 2011-1 |

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Oak Hill Union Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than this specified party.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 9, 2011



Dave Yost • 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 31, 2012