



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



OAK HILL UNION LOCAL SCHOOL DISTRICT  
JACKSON COUNTY

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the Oak Hill Union Local School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2001. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the School District prepares and files its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Oak Hill Union Local School District, Jackson County, as of June 30, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2001, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the School District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

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

**Jim Petro**  
Auditor of State

October 5, 2001

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OAK HILL UNION LOCAL SCHOOL DISTRICT  
JACKSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Receipts from Local Sources:					
Taxes	\$1,389,192	\$34,460	\$291,522	\$	\$1,715,174
Tuition	9,642	264			9,906
Earnings on Investment	64,290			206,722	297,838
Extracurricular Activities		112,502			112,502
Miscellaneous Receipts	3,671	12,000			16,666
Receipts from Intermediate Sources:					
Unrestricted Grants-In-Aid	46,600	3,294			49,894
Receipts from State Sources:					
Unrestricted Grants-In-Aid	4,820,045	1,690	14,300		4,836,035
Restricted Grants-In-Aid	57,396	493,738		11,523,452	12,074,586
Receipts from Federal Sources:					
Restricted Grants-In-Aid		523,517			523,517
Revenue for/on Behalf of the District	<u>22,742</u>				<u>22,742</u>
<b>Total Cash Receipts</b>	<u>6,413,578</u>	<u>1,181,465</u>	<u>305,822</u>	<u>11,730,174</u>	<u>19,658,860</u>
<b>Cash Disbursements:</b>					
Instruction:					
Regular Instruction	2,919,147	480,062		43,462	3,443,171
Special Instruction	456,468	222,427			678,895
Vocational Instruction	56,364				56,364
Other Instruction	155,871				155,871
Support Services:					
Pupils	289,457	70,158			359,615
Instructional Staff	330,958	164,041		782	495,781
Board of Education	34,964				34,964
Administration	674,762	68,759			743,521
Fiscal	192,952	8,297	12,662		213,911
Operation and Maintenance	680,592	3,505		15,500	699,597
Pupil Transportation	666,389				666,389
Central	24,217	10,736		9,458	44,411
Non-Instructional Services:					
Community Services	6,125				6,125
Extracurricular Activities:					
Acedemic Orriented		30,543			30,543
Sports Oriented	8,056	83,888			91,944
Facility Acquisition and Construction:					
Site Acquisition	60,960				60,960
Site Improvement				756,662	756,662
Architecture and Engineering				1,104,939	1,104,939
Bldg. Acquisition & Construction				601	601
Building Improvement				17,980	17,980
Debt Service:					
Repayment of Debt			4,051,583		4,051,583
<b>Total Cash Disbursements</b>	<u>6,557,282</u>	<u>1,142,416</u>	<u>4,064,245</u>	<u>1,949,384</u>	<u>13,713,827</u>
Excess of Cash Receipts Over/(Under)					
Cash Disbursements	<u>(143,704)</u>	<u>39,049</u>	<u>(3,758,423)</u>	<u>9,780,790</u>	<u>5,945,033</u>



OAK HILL UNION LOCAL SCHOOL DISTRICT  
JACKSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<b>Other Financial Sources/(Uses):</b>						
Sale of Bonds			3,677,000			3,677,000
Sale and Loss of Assets	1,012			15,500		16,512
Advances In				15,388		15,388
Refund of Prior Yr. Expenditure	46,295					46,295
Operating Transfers-Out	(20,000)					(20,000)
Advances Out	(15,388)					(15,388)
<b>Total Other Financing Sources (Uses)</b>	<u>11,920</u>	<u>0</u>	<u>3,677,000</u>	<u>30,888</u>	<u>0</u>	<u>3,719,808</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(131,784)	39,049	(81,423)	9,811,678	27,321	9,664,841
Fund Cash Balances, July 1	<u>900,323</u>	<u>320,519</u>	<u>147,089</u>	<u>4,720,509</u>	<u>409,144</u>	<u>6,497,584</u>
<b>Fund Cash Balances, June 30</b>	<u><b>\$768,539</b></u>	<u><b>\$359,568</b></u>	<u><b>\$65,666</b></u>	<u><b>\$14,532,187</b></u>	<u><b>\$436,465</b></u>	<u><b>\$16,162,425</b></u>

Note: At June 30, 2001, there is a restricted cash balance of \$40,068 in the General Fund for the Budget Stabilization Reserve.

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Receipts:</b>			
Food Service	\$54,534	\$	\$54,534
Extracurricular Activities		98,991	98,991
Total Operating Receipts	<u>54,534</u>	<u>98,991</u>	<u>153,525</u>
<b>Operating Disbursements:</b>			
Personal Services - Salaries	75,249		75,249
Employees' Retirement and Insurance	46,064		46,064
Purchased Service	0		0
Supplies and Materials	87,027	92,680	179,707
Capital Outlay-Replacement	1,091		1,091
Other Objects	1,150		1,150
Total Operating Disbursements	<u>210,581</u>	<u>92,680</u>	<u>303,261</u>
Excess of Operating Receipts Over/(Under) Operating Disbursements	(156,047)	6,311	(149,736)
<b>Non-Operating Receipts:</b>			
Miscellaneous	5,297		5,297
State Sources:			
Restricted Grants-in-Aid	9,627		9,627
Federal Sources:			
Unrestricted Grants-in-Aid	128,218		128,218
Total Non-Operating Receipts	<u>143,142</u>	<u>0</u>	<u>143,142</u>
Excess of Revenue Over/(Under) Expenses Before Interfund Transfers	(12,905)	6,311	(6,594)
Operating Transfers-In	<u>20,000</u>		<u>20,000</u>
Net Excess of Revenues Over/Under Expenses	7,095	6,311	13,406
Fund Cash Balances, July 1	<u>13,971</u>	<u>39,248</u>	<u>53,219</u>
<b>Fund Cash Balances, June 30</b>	<u><u>\$21,066</u></u>	<u><u>\$45,559</u></u>	<u><u>\$66,625</u></u>

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

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

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
ALL BUDGETED FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>Governmental</u></b>			
General	\$6,460,885	\$6,460,885	\$0
Special Revenue	1,181,465	1,181,465	0
Debt Service	3,982,822	3,982,822	0
Capital Projects	11,761,062	11,761,062	0
<b><u>Proprietary</u></b>			
Enterprise	217,676	217,676	0
<b><u>Fiduciary</u></b>			
Expendable Trust	<u>27,821</u>	<u>27,821</u>	<u>0</u>
<b>Total(Memorandum Only)</b>	<b><u><u>\$23,631,731</u></u></b>	<b><u><u>\$23,631,731</u></u></b>	<b><u><u>\$0</u></u></b>

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

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

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<b><u>Governmental</u></b>			
General	\$42,207	\$7,079,036	\$7,121,243
Special Revenue	40,326	1,317,829	1,358,155
Debt Service	0	4,064,245	4,064,245
Capital Projects	209,095	8,125,309	8,334,404
<b><u>Proprietary</u></b>			
Enterprise	3,728	207,203	210,931
<b><u>Fiduciary</u></b>			
Expendable Trust	<u>1,700</u>	<u>11,556</u>	<u>13,256</u>
<b>Total(Memorandum Only)</b>	<b><u><u>\$297,056</u></u></b>	<b><u><u>\$20,805,178</u></u></b>	<b><u><u>\$21,102,234</u></u></b>

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

<u>Disbursements</u>	<u>Encumbrances Outstanding at 6/30/01</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$6,592,670	\$163,312	\$6,755,982	\$365,261
1,142,416	49,011	1,191,427	166,728
4,064,245	0	4,064,245	0
1,949,384	984,679	2,934,063	5,400,341
210,581	0	210,581	350
<u>500</u>	<u>1,700</u>	<u>2,200</u>	<u>11,056</u>
<u><u>\$13,959,796</u></u>	<u><u>\$1,198,702</u></u>	<u><u>\$15,158,498</u></u>	<u><u>\$5,943,736</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. SUMMARY OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

**Description of the Entity**

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

The School District is staffed by 75 certificated employees and 50 non-certificated employees who provide services to 1275 students.

**Reporting Entity**

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organizations' resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also included organizations that are fiscally dependent on the School District in that the District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the School District. The School District is associated with the South Central Ohio Computer Association and the Gallia Jackson Vinton Joint Vocational School District, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 9 and 10.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to file its annual financial report pursuant with generally accepted accounting principles, the School District chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the District in a Fiscal Caution Status. This status requires the District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Accounting (Continued)**

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

**B. Pooled Cash**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

**C. Fund Accounting**

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

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

**1. Governmental Fund Types**

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Funds**

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



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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**1. Governmental Fund Types (Continued)**

**Capital Projects Funds**

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

**2. Proprietary Fund Type**

**Enterprise Funds**

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

**3. Fiduciary Fund Type**

**Expendable Trust and Agency Funds**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include an expendable trust fund and agency funds. Agency funds are purely custodial and thus do not involve measurement of results of operations.

**D. Budgetary Process**

**1. Budget**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**2. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Jackson County Budget Commission for rate determination.

**3. Estimated Resources**

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

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1999, unencumbered fund balances. However, those fund balances are available for appropriations

**4. Appropriations**

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

**5. Encumbrances**

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

**E. Property, Plant and Equipment**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Accumulated Unpaid Vacation and Sick Leave**

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

**G. Total Columns on Financial Statements**

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

**3. EQUITY IN POOLED CASH**

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

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

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

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

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

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

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**3. EQUITY IN POOLED CASH (Continued)**

- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$8,874,616 and the bank balance was \$8,907,832. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$8,807,832 was collateralized by securities held by a third party bank in the School District's name.

Investments - Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001. The School District's investment in the STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

Investment:	Carrying Value	Market Value
STAROhio	\$7,354,434	\$7,354,434

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**4. PROPERTY TAXES**

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

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

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

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

**5. DEBT OBLIGATIONS**

The School District's long-term obligations at June 30, 2001 were as follows:

	<u>Principal</u>
Classroom Facilities Bonds at 4.45% – 5.65%	\$3,570,000

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**5. DEBT OBLIGATIONS (Continued)**

The annual requirements to amortize debt outstanding as of June 30, 2001, including interest payments, are as follows:

Year Ending June 30	Classroom Facilities Bonds
2002	\$174,551
2003	275,727
2004	287,088
2005	287,717
2006	288,058
2007-2011	1,448,502
2012-2016	1,461,053
2017-2021	1,455,470
2022-2023	580,765
Total	\$6,258,931

**6. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year ending June 30, 2001 the School District contracted with Nationwide Insurance Company for property insurance and inland marine coverage.

Professional and general liability is protected by Nationwide Insurance with a \$2,000,000 single occurrence limit with \$5,000,000 aggregate and no deductible. Vehicles are also covered by Nationwide Insurance. Vehicle liability had a \$2,000,000 combined single limit of liability. Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years.

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

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2001 was \$40,315. 100 percent has been contributed for fiscal year 2001.

**B. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2001 was \$324,745. 100 percent has been contributed for fiscal year 2001.

**8. POST-EMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$158,327 for fiscal year 2001.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during 2001 fiscal year equaled \$106,652.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**9. 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, 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 \$18,084 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  
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**9. 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. During fiscal year 2000, the District made no contributions to the Joint Vocational School. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

**10. INSURANCE PURCHASING POOL**

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

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

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

**11. STATUTORY RESERVES**

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**11. STATUTORY RESERVES (Continued)**

	Textbook	Capital Acquisition	Budget Stabilization	Total
Set-aside Reserve Balance as of June 30, 2000	\$ 0	\$ 0	\$ 40,068	\$ 40,068
Total Offsets Credits	0	0	0	0
Current Year Set-aside Requirement	123,902	123,902	0	247,804
Qualifying Disbursements	<u>(237,227)</u>	<u>(143,430)</u>	<u>0</u>	<u>(380,657)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$(113,325)</u>	<u>\$ (19,528)</u>	<u>\$ 40,068</u>	<u>\$ (92,785)</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$(113,325)</u>	<u>\$ (19,528)</u>	<u>\$ 40,068</u>	<u>\$ (92,785)</u>

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

**12. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 17, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**13. CONTRACTUAL COMMITMENTS**

As of June 30, 2001, the School District had a site acquisition and architectural contract purchase commitment for the construction of a new grade 6-12 facility and the renovation of existing facilities as follows:

<u>Contractor</u>	<u>Balance at 07/01/00</u>	<u>Additions</u>	<u>Amount Expended</u>	<u>Balance at 06/30/01</u>
Harrison, Adkins, Harrison	\$167,780	\$0	(\$60,960)	\$106,820
Romig Roofing	30,388	0	(17,980)	12,408
Fanning, Howey & Associates	1,172,825	0	(594,431)	578,394
Oak Grove Energy	0	1,233,563	(572,249)	661,314
CLT Engineering	0	60,746	(49,057)	11,689
Gandee & Associates	0	35,817	0	35,817
	<u>\$1,371,000</u>	<u>\$1,330,126</u>	<u>(\$1,294,677)</u>	<u>\$1,406,448</u>

**14. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

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

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	10.550	N/A	\$	\$ 8,987	\$	\$ 9,044
School Breakfast Program	10.553	05-PU-00 05-PU-01	7,640 <u>32,749</u>		7,640 <u>32,749</u>	
Total School Breakfast Program			<u>40,389</u>	0	<u>40,389</u>	0
National School Lunch Program	10.555	LL-P1-00 LL-P4-00 LL-P1-01 LL-P4-01	11,529 2,230 61,740 <u>12,330</u>		11,529 2,230 61,740 <u>12,330</u>	
Total National School Lunch Program			<u>87,829</u>	0	<u>87,829</u>	0
Total Nutrition Cluster			<u>128,218</u>	8,987	<u>128,218</u>	9,044
Total United States Department of Agriculture			128,218	8,987	128,218	9,044
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-00 C1-S1-00 C C1-S1-01	45,357 35,153 <u>259,837</u>		54,777 35,153 <u>221,873</u>	
Total Title I Grants to Local Educational Agencies			<u>340,347</u>	0	<u>311,803</u>	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6B-SF-99P 6B-SF-00P	5,819 <u>52,993</u>		28,541 <u>48,919</u>	
Total Special Education - Grants to States			<u>58,812</u>	0	<u>77,460</u>	0
Special Education - Pre-school Grants	84.173	PG-S1-99P PG-S1-00P	1,415 <u>1,415</u>		600 <u>14</u>	
Total Special Education - Pre-school Grants			<u>1,415</u>	0	<u>614</u>	0
Total Special Education Cluster			60,227	0	78,074	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-99 DR-S1-00 DR-S1-01	5,333 <u>5,333</u>		665 5,086 <u>3,881</u>	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>5,333</u>	0	<u>9,632</u>	0
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	G2-S1-99 G2-S1-00 G2-S2-00 G2-S1-01 G2-S2-01	21,000 37,898 <u>14,000</u> <u>72,898</u>		5,000 38,310 9,412 772 <u>91</u>	
Total Goals 2000 - State and Local Education Systemic Improvement Grants			<u>72,898</u>	0	<u>53,585</u>	0
Eisenhower Professional Development State Grants	84.281	MS-S1-99 MS-S1-00 MS-S1-01	7,300 <u>7,300</u>		67 5,962 <u>3,441</u>	
Total Eisenhower Professional Development State Grants			<u>7,300</u>	0	<u>9,470</u>	0
Innovative Education Program Strategies	84.298	C2-S1-99 C2-S1-00 C2-S1-01	3,653 <u>3,653</u>		450 1,846 <u>1,744</u>	
Total Innovative Education Program Strategies			<u>3,653</u>	0	<u>4,040</u>	0
Class Size Reduction	84.340	CR-S1-00 CR-S1-01	33,760 <u>33,760</u>		8,245 <u>33,039</u>	
Total Class Size Reduction			<u>33,760</u>	0	<u>41,284</u>	0
Total United States Department of Education			523,518	0	507,888	0
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program (Medicaid: Title XIX)	93.778		<u>22,742</u>		<u>22,742</u>	
Total United States Department of Health and Human Services			<u>22,742</u>		<u>22,742</u>	
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 674,478</u></b>	<b><u>\$ 8,987</u></b>	<b><u>\$ 658,848</u></b>	<b><u>\$ 9,044</u></b>

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the School District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the financial statements of the Oak Hill Union Local School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2001, and have issued our report thereon dated October 5, 2001, wherein we noted that the School District had not adopted accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2001-10740-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated October 5, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated October 5, 2001.

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

**Jim Petro**  
Auditor of State

October 5, 2001





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

### **Compliance**

We have audited the compliance of the Oak Hill Union Local School District, Jackson County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over compliance and its operation that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated October 5, 2001.

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

**Jim Petro**  
Auditor of State

October 5, 2001

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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

OAK HILL UNION LOCAL SCHOOL DISTRICT  
JACKSON COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)

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

**Finding Number 2001-10753-001**

**Noncompliance Citation**

Ohio Admin. Code § 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles.

The School District prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other legal administrative remedies, may be taken against the School District. Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the School District in a Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

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

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 §.315(c)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Finding Number	Planned Corrective Action Plan	Anticipated Completion Date	Responsible Contact Person
2001-10740-001	Due to the passage of a bond issue to build a new school and renovate existing facilities, the Board of Education chose to report on the cash basis until the construction project is complete.	June 30, 2003	Deborah Ratliff, Treasurer

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-10740-001	A noncompliance citation was issued under former Ohio Admin. Code Section 117-2-01, for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected:  The School District's officials did not believe that preparing financial statements in accordance with generally accepted accounting principles was cost beneficial.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**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  
NOVEMBER 27, 2001**