



Dave Yost • Auditor of State

**OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hill Union Local School District, Jackson County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hill Union Local School District, Jackson County, Ohio, as of June 30, 2017, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 17, 2018

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Oak Hill Union Local School District
Statement of Net Position - Cash Basis
As of June 30, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$16,313,968</u>
<i>Total Assets</i>	16,313,968
Net Position	
Restricted for Debt Service	700,361
Restricted for Capital Outlay	1,713,830
Restricted for Classroom Facilities Maintenance	664,449
Restricted for Other Purposes	67,357
Unrestricted	<u>13,167,971</u>
<i>Total Net Position</i>	<u><u>\$16,313,968</u></u>

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

Oak Hill Union Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017

	Cash Disbursements	Charges for Services and Sales	Program Receipts		Net (Disbursements) Receipts and Changes in Net Position
			Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	
Governmental Activities					
Instruction:					
Regular	\$5,926,343	\$361,564	\$106,377	\$0	(\$5,458,402)
Special	2,433,479	98,487	1,808,062	0	(526,930)
Vocational	126	7	5,985	0	5,866
Student Intervention Services	57,953	3,345	0	0	(54,608)
Other	83,626	404	70,586	0	(12,636)
Support Services:					
Pupils	579,773	31,623	56,334	0	(491,816)
Instructional Staff	460,673	22,569	60,722	0	(377,382)
Board of Education	39,576	2,284	0	0	(37,292)
Administration	912,428	52,881	26,943	0	(832,604)
Fiscal	395,555	22,531	3,684	0	(369,340)
Operation and Maintenance of Plant	1,128,162	66,307	22	0	(1,061,833)
Pupil Transportation	1,116,883	67,925	24,827	0	(1,024,131)
Central	82,834	4,204	9,211	0	(69,419)
Operation of Non-Instructional Services	656,385	81,982	449,987	0	(124,416)
Extracurricular Activities	377,936	235,931	2,733	0	(139,272)
Capital Outlay	678,065	0	0	8,686	(669,379)
Debt Service:					
Principal	225,000	0	0	0	(225,000)
Interest and Fiscal Charges	25,166	0	0	0	(25,166)
Total Governmental Activities	\$15,179,963	\$1,052,044	\$2,625,473	\$8,686	(11,493,760)

General Cash Receipts

Property Taxes Levied for:	
General Purposes	2,405,990
Classroom Facilities Maintenance	45,294
Permanent Improvements	78,353
Debt Service	253,002
Grants and Entitlements,	
Not Restricted for Specific Programs	9,703,681
Gifts and Donations,	
Not Restricted for Specific Programs	1,050
Investment Earnings	72,232
Miscellaneous	210,924
Total General Cash Receipts	12,770,526
Change in Net Position	1,276,766
Net Position Beginning of Year	15,037,202
Net Position End of Year	\$16,313,968

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, 2017

	<u>General</u>	<u>Permanent Improvement</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$9,765,628</u>	<u>\$2,971,103</u>	<u>\$3,099,777</u>	<u>\$15,836,508</u>
<i>Total Assets</i>	<u><u>\$9,765,628</u></u>	<u><u>\$2,971,103</u></u>	<u><u>\$3,099,777</u></u>	<u><u>\$15,836,508</u></u>
Fund Balances				
Restricted	\$0	\$157,192	\$2,988,805	\$3,145,997
Committed	1,630,877	211,936	110,972	1,953,785
Assigned	81,350	2,601,975	0	2,683,325
Unassigned	<u>8,053,401</u>	<u>0</u>	<u>0</u>	<u>8,053,401</u>
<i>Total Fund Balances</i>	<u><u>\$9,765,628</u></u>	<u><u>\$2,971,103</u></u>	<u><u>\$3,099,777</u></u>	<u><u>\$15,836,508</u></u>

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

Oak Hill Union Local School District
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Cash Basis
As of June 30, 2017*

Total Governmental Fund Balances \$15,836,508

Amounts reported for governmental activities in the statement of net position are difference

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position.

477,460

Net Position of Governmental Activities

\$16,313,968

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 Balances - Cash Basis
 Governmental Funds
 For the Fiscal Year Ended June 30, 2017

	General	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
Cash Receipts				
Property Taxes	\$2,405,990	\$78,353	\$298,296	\$2,782,639
Intergovernmental	10,633,312	6,620	1,668,422	12,308,354
Interest	70,728	0	5,202	75,930
Tuition and Fees	727,889	0	0	727,889
Extracurricular Activities	16,791	0	225,913	242,704
Gifts and Donations	2,150	500	22,684	25,334
Customer Sales and Services	0	0	81,451	81,451
Miscellaneous	207,610	0	3,314	210,924
<i>Total Cash Receipts</i>	14,064,470	85,473	2,305,282	16,455,225
Cash Disbursements				
Current:				
Instruction:				
Regular	6,037,805	0	107,802	6,145,607
Special	1,706,450	0	811,916	2,518,366
Vocational	126	0	0	126
Student Intervention Services	57,953	0	0	57,953
Other	6,995	0	76,631	83,626
Support Services:				
Pupils	537,102	0	56,770	593,872
Instructional Staff	398,861	0	65,246	464,107
Board of Education	39,576	0	0	39,576
Administration	919,424	0	29,250	948,674
Fiscal	390,382	2,876	15,892	409,150
Operation and Maintenance of Plant	1,143,404	0	0	1,143,404
Pupil Transportation	1,163,340	0	26,881	1,190,221
Central	72,834	0	10,000	82,834
Operation of Non-Instructional Services	20,043	0	636,342	656,385
Extracurricular Activities	173,571	0	220,216	393,787
Capital Outlay	184,906	43,931	449,228	678,065
Debt Service:				
Principal	0	0	225,000	225,000
Interest	0	0	25,166	25,166
<i>Total Cash Disbursements</i>	12,852,772	46,807	2,756,340	15,655,919
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	1,211,698	38,666	(451,058)	799,306
Other Financing Sources (Uses)				
Transfers In	0	950,000	150,000	1,100,000
Advances In	0	0	142,594	142,594
Transfers Out	(650,000)	0	(450,000)	(1,100,000)
Advances Out	(142,594)	0	0	(142,594)
<i>Total Other Financing Sources (Uses)</i>	(792,594)	950,000	(157,406)	0
<i>Net Change in Fund Balances</i>	419,104	988,666	(608,464)	799,306
<i>Fund Balance Beginning of Year</i>	9,346,524	1,982,437	3,708,241	15,037,202
<i>Fund Balance End of Year</i>	\$9,765,628	\$2,971,103	\$3,099,777	\$15,836,508

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

Oak Hill Union Local School District
*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances of Governmental Funds to the Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds \$799,306

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

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund disbursements and the related internal service fund receipts are eliminated. The net receipt (disbursement) of the internal service fund is allocated among the governmental activities.

477,460

Net Change in Net Position of Governmental Activities

\$1,276,766

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 and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2017*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Total Receipts and Other Financing Sources	\$13,384,981	\$14,046,236	\$14,046,236	\$0
Total Disbursements and Other Financing Uses	13,563,045	13,835,708	13,835,708	0
<i>Net Change in Fund Balance</i>	(178,064)	210,528	210,528	0
<i>Fund Balance Beginning of Year</i>	7,748,891	7,748,891	7,748,891	0
<i>Prior Year Encumbrances Appropriated</i>	93,979	93,979	93,979	0
<i>Fund Balance End of Year</i>	<u>\$7,664,806</u>	<u>\$8,053,398</u>	<u>\$8,053,398</u>	<u>\$0</u>

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

Oak Hill Union Local School District
Statement of Fund Net Position - Cash Basis
Proprietary Fund
As of June 30, 2017

	Governmental Activities- Internal Service
Assets	
Equity in Pooled Cash and Cash Equivalents	\$477,460
<i>Total Assets</i>	477,460
Net Position	
Unrestricted	477,460
<i>Total Net Position</i>	\$477,460

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 Change in Fund Net Position - Cash Basis
Proprietary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Governmental Activities- Internal Service</u>
Operating Cash Receipts	
Charges for Services	<u>\$1,968,349</u>
<i>Total Operating Cash Receipts</i>	1,968,349
Operating Cash Disbursements	
Fringe Benefits	1,152,399
Purchased Services	<u>339,994</u>
<i>Total Operating Cash Disbursements</i>	<u>1,492,393</u>
<i>Operating Income</i>	475,956
Non-Operating Cash Receipts	
Interest	<u>1,504</u>
<i>Total Non-Operating Cash Receipts</i>	<u>1,504</u>
<i>Change in Net Position</i>	477,460
<i>Net Position Beginning of Year</i>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$477,460</u></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 Position - Cash Basis
Fiduciary Funds
As of June 30, 2017

	Private Purpose Trust Fund	Agency Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$456,523	\$52,197
<i>Total Assets</i>	456,523	52,197
Net Position		
Held in Trust for Scholarships	456,523	0
Unrestricted	0	52,197
<i>Total Net Position</i>	\$456,523	\$52,197

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 Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2017

	<u>Private Purpose Trust Fund</u>
Additions	
Gifts and Contributions	\$12,400
Interest	<u>1,639</u>
<i>Total Additions</i>	14,039
Deductions	
Payments in Accordance with Trust Agreements	<u>22,789</u>
<i>Total Deductions</i>	<u>22,789</u>
<i>Change in Net Position</i>	(8,750)
<i>Net Position Beginning of Year</i>	<u>465,273</u>
<i>Net Position End of Year</i>	<u><u>\$456,523</u></u>

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

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Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 – Description of the 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, 55 non-certificated employees, and 7 administrators who provide services to 1,261 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, the South Central Ohio Computer Association Council of Governments, the Coalition of Rural and Appalachian Schools, and the Ohio Coalition of Equity and Adequacy of School Funding, 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:

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

Permanent Improvement Fund – The permanent improvement fund is a fund provided to account for all transactions related to the acquiring, constructing, or improving of permanent improvements.

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating cash receipts over (under) cash disbursements, changes in net cash position, and cash basis financial position. Proprietary funds are classified as enterprise or internal service; the District has no enterprise funds and one internal service fund.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for the self-insurance program for employee medical claims.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 position) 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 position 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 position 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 activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements.

The statement of net position-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 are 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

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the District.

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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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 in accordance with the cash 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 disbursements plus encumbrances at a level of control selected by the Board. The legal level of control has been

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the 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 resources. 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, 2017. District funds are maintained in checking accounts, certificates of deposit, and a money market account. 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 2017, interest receipts amounted to \$79,073 of which \$70,728 was recorded in the general fund, \$5,202 was recorded in the state share building fund expenses fund, \$1,504 was recorded in the internal service fund, and \$1,639 was recorded in the private purpose trust fund.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

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 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.

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:

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Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or are 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 non-major 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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net cash position represents the cash assets held by the District at year end. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes is comprised of net position restricted for state and federal programs. The District applies restricted resources first when a cash disbursement is made for purposes for which both restricted and unrestricted net position is available. As of June 30, 2017, none of the District’s restricted net position 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.

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Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 of 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;
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

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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.

At June 30, 2017, the District's self-insurance internal service fund had a balance of \$477,460 with the Jefferson Health Plan, a claims servicing pool (see note 7). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the Jefferson Health Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Jefferson Health Plan, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

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.

At June 30, 2017, the District's bank balance of \$16,135,429 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments

As of June 30, 2017, the District had the following investments and maturities:

	Carrying/Fair Value	Weighted Average Maturity (Years)
Federated Governmental Obligations Capital Money Market	\$271,582	<1 Year

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

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Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy does not address credit risk beyond the requirements of the Ohio Revised Code. The District limited its investments to money market funds. Its money market fund has been rated AAAM by Standard & Poor’s.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single user. The District’s investment policy allows investments in any instrument or security authorized in State law. 100 percent of the District’s investments are in money market funds.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code. All of the District’s securities are held in the name of the District.

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 and actual – budget basis 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)	\$419,104
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	(112,211)
Encumbrances	(96,365)
Budget Basis	\$210,528

As a part of generally accepted accounting principles, certain funds that are legally budgeted as 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 District. Real property tax receipts received in calendar year 2017 represent collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, 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.

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Public utility property tax receipts received in calendar year 2017 represent collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected in 2017 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.

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.

The assessed values upon which fiscal year 2017 taxes were collected are:

	2016 Second-Half Collections		2017 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$91,060,120	74.91%	\$91,674,880	65.51%
Public Utility	30,505,850	25.09%	48,258,000	34.49%
Total Assessed Value	\$121,565,970	100.00%	\$139,932,880	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$23.83		\$22.83	

Note 6 – Debt Obligations

The District’s long-term obligations at June 30, 2017 were as follows:

	Beginning Balance			Ending Balance	
	June 30, 2016	Additions	Payments	June 30, 2017	Due in One Year
2016 Current Refunding Bonds, 1.55%	\$1,655,000	\$0	(\$225,000)	\$1,430,000	\$230,000

On May 12, 2016, the District issued \$1,655,000 in current refunding bonds for the purpose of refunding the series 2006 advance refunding classroom facilities bonds. The refunding bonds have an interest rate of 1.55 percent and a maturity date of December 1, 2022.

The annual requirements to amortize debt outstanding as of June 30, 2017 are as follows:

Year Ending June 30	2016 Current Refunding Bonds		
	Principal	Interest	Total
2018	\$230,000	\$20,383	\$250,383
2019	230,000	16,818	246,818
2020	235,000	13,214	248,214
2021	240,000	9,533	249,533
2022	245,000	5,774	250,774
2023	250,000	1,938	251,938
Total	\$1,430,000	\$67,660	\$1,497,660

The District's overall legal debt margin was \$11,864,320 with an unvoted debt margin of \$139,933 at June 30, 2017.

Note 7 – Risk Management

Property and Liability

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 2017, the District contracted with the Ohio School Plan (OSP) for property and various other insurance coverages.

General liability is protected by OSP with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate with no deductible. Vehicle and property coverages are also provided by OSP. Vehicle liability had a \$2,000,000 combined single limit of liability. Property insurance had a \$37,375,940 limit. 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 fiscal year.

Workers' Compensation

For fiscal year 2017, the 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 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 Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

Employee Benefits

Insurance is offered to employees through a self-insurance internal service fund. Monthly premiums for the cost of claims are remitted to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability at June 30, 2017 of \$181,590, which is based on an estimate provided by the third party administrator, includes unpaid claim costs and estimates of costs relating to incurred but not reported claims. The estimate was not affected by incremental claim adjustment expense and does not include other allocated or unallocated claim adjustment expenses. A comparison of self-insurance fund cash and investment to the actuarially-measured liability as of June 30 follows:

<u>Year</u>	<u>Cash and Investments</u>	<u>Actuarial Liabilities</u>
2017	\$477,460	\$181,590

Note 8 - Defined Benefit Pension Plans

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's

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fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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 by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations.

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The District's contractually required contributions to SERS were \$240,048, \$252,168, and \$223,472 for fiscal years 2017, 2016, and 2015, respectively.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – District licensed teachers and other faculty members participate in STRS, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013 must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, 2015, and 2016, when it reaches 14 percent. For the fiscal year ended June 30,

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2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contributions to STRS were \$664,668, \$689,988, and \$688,404 for fiscal years 2017, 2016, and 2015, respectively.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,119,684	\$14,832,947	\$17,952,631
Proportion of the Net Pension Liability	0.0426240%	0.04431315%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u>100.00 %</u>	

Discount Rate – The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$4,130,267	\$3,119,684	\$2,273,783

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$19,711,781	\$14,832,947	\$10,717,363

Changes between Measurement Date and Report Date – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the District’s net pension liability is expected to be significant.

Note 9 – Postemployment Benefits

School Employees Retirement System

Postemployment Benefits

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

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 pensions and benefits, the Retirement Board may allocate the remainder of the employer 14 percent contribution to the Health Care Fund. For the years ended June 30, 2017, 2016, and 2015, the health care allocations were 0 percent, 0 percent, and 0.82 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute 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 2017, the minimum compensation level was established at \$23,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the District, contributions assigned to health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$23,377, \$24,972, and \$39,702, 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.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The financial report of SERS' Health Care plan is included in its comprehensive annual financial report. The report can be obtained on SERS' website at www.ohsers.org under employers/audit resources.

State Teachers Retirement System

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan 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 partial reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 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. Nearly all health care plan enrollees, 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 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2017, 2016, and 2015. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$0 for fiscal years 2017, 2016 and 2015, which is equal to the required amounts for those years.

Note 10 – Jointly Governed Organizations

Gallia-Jackson-Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School (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.

South Central Ohio Computer Association Council of Governments

The District is a participant in the South Central Ohio Computer Association Regional Council of Governments (SCOCA COG), which is organized under ORC Code Chapter 167 as a council of governments. SCOCA COG is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, 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 COG consists of two representatives from each county in the SCOCA COG service region designated by the Ohio Department of Education and two representatives of the school treasurers. The Board exercises total control over the operations of SCOCA COG

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

including budgeting, appropriating, contracting and designating management. Each District's degree of control is limited to its representation on the Board.

During fiscal year 2016, SCOCA COG entered into a merger agreement with Metropolitan Educational Technology Association (META). Pursuant to an addendum to the agreement, certain liabilities will remain the sole responsibility of SCOCA COG, and once these remaining liabilities are satisfied, SCOCA COG will be dissolved and the member districts will become members of META. SCOCA COG entered into a subcontract agreement with META to provide services to SCOCA COG, and on behalf of SCOCA COG, to the member districts. Consistent with the merger agreement and updated bylaws, SCOCA COG is currently governed by a four person executive governing board. The District paid SCOCA COG \$158,160 for services provided during the fiscal year. The District also paid META \$3,590 for miscellaneous services during the fiscal year.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2017, the School District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

The Ohio Coalition of Equity and Adequacy of School Funding

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. The Committee exercises total control over budgeting, appropriating, contracting, and the designation of management. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2017, the School District paid \$319 to the Coalition. To obtain financial information write to Ohio Coalition of Equity and Adequacy of School Funding at 100 South Third Street, Columbus, Ohio 43215.

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

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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 state law to annually set aside in the general fund an amount based on a statutory formula 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 capital acquisition. Disclosure of this information is required by the state.

	Capital Acquisition
Set-Aside Balance as of June 30, 2016	\$0
Current Year Set-Aside Requirement	217,528
Current Year Offsets	(88,187)
Qualifying Disbursements	(129,341)
Set-Aside Balance Carried Forward to Further Fiscal Years	\$0
Set-Aside Balance as of June 30, 2017	\$0

The 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 District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$3,699,460 at June 30, 2017.

Note 13 - Contingencies

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

Litigation

The District is not currently party to legal proceedings.

State Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District. As of the date of this report, the District has received \$4,218 from ODE.

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 14 – Interfund Activity

Interfund Transfers

Transfers made during the year ended June 30, 2017 were as follows:

	Transfers In	Transfers Out
<i>Major Funds</i>		
General	\$0	\$650,000
Permanent Improvement	950,000	0
<i>Non-Major Funds</i>		
Baseball Fields Capital Projects	150,000	0
Bond Retirement	0	450,000
<i>Total</i>	\$1,100,000	\$1,100,000

Transfers were made from the general fund and bond retirement fund to the permanent improvement capital projects fund to provide funds for ongoing projects and from the general fund to the baseball fields non-major capital projects fund to fund the capital project.

Interfund Advances

Advances made during the year ended June 30, 2017 were as follows:

	Advance In	Advance Out
<i>Major Fund</i>		
General	\$0	\$142,594
<i>Non-Major Funds</i>		
Food Service	101,500	0
Miscellaneous Federal Grants	41,094	0
<i>Total</i>	\$142,594	\$142,594

Advances were made from the general fund to the food service and miscellaneous federal grants non-major special revenue funds to provide operating funds in anticipation of grant receipts.

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 Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned 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 constraints placed on the fund balance for the major governmental funds and all other non-major governmental funds are presented below:

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

	General	Permanent Improvement	Non-Major Governmental Funds	Total Governmental Funds
<i>Restricted for</i>				
Food Service Operations	\$0	\$0	\$74	\$74
Other Purposes	0	0	10,638	10,638
Construction	0	0	1,556,638	1,556,638
Classroom Facilities	0	0	664,449	664,449
District Managed Activities	0	0	56,645	56,645
Debt Service Payments	0	0	700,361	700,361
Capital Projects	0	157,192	0	157,192
<i>Total Restricted</i>	0	157,192	2,988,805	3,145,997
<i>Committed to</i>				
Capital Projects	0	211,936	110,972	322,908
Severance Payments	1,571,931	0	0	1,571,931
Other Purposes	58,946	0	0	58,946
<i>Total Committed</i>	1,630,877	211,936	110,972	1,953,785
<i>Assigned to</i>				
Capital Projects	0	2,601,975	0	2,601,975
Public School Support	43,931	0	0	43,931
Other Purposes	37,419	0	0	37,419
<i>Total Assigned</i>	81,350	2,601,975	0	2,683,325
<i>Unassigned</i>	8,053,401	0	0	8,053,401
<i>Total Fund Balances</i>	\$9,765,628	\$2,971,103	\$3,099,777	\$15,836,508

Note 17 – Encumbrance Commitments

At June 30, 2017, the District had significant encumbrance commitments in the governmental funds as follows:

<i>Major Funds</i>	
General	\$97,030
Permanent Improvement	14,930
<i>Non-Major Funds</i>	
Latchkey	2,004
Baseball Fields	91,639
Athletics	15,505
Miscellaneous Federal Grants	1,178
<i>Total</i>	<u>\$222,286</u>

Note 18 – New Accounting Pronouncements

For the fiscal year ended June 30, 2017, the District was required to implement Governmental Accounting Standards Board Statements No. 74, “Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans,” No. 77, “Tax Abatement Disclosures,” No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” No. 80, “Blending Requirements for Certain Component Units,” and No. 82, “Pension Issues.”

Oak Hill Union Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

GASB Statement No. 74 replaces GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

GASB Statement No. 77 requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government’s tax revenues.

GASB Statement No. 78 amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB Statement No. 80 clarifies the display requirements in GASB Statement No. 14, “The Financial Reporting Entity,” by requiring these component units to be blended into the primary state or local government’s financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements.

GASB Statement No. 82 addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73.

None of these Statements had an impact on the District’s financial statements or note disclosures.

Note 19 – Subsequent Event

META Solutions is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC) in February 2015. Metropolitan Dayton Educational Cooperative Association (MDECA) and Southeastern Ohio Voluntary Education Cooperative (SEOVEC) also merged with META Solutions on January 4, 2016. META Solutions develops, implements, and supports the technology and instructional needs of schools and provides instructional, core, technology, and purchasing services for its member districts. The Board of Directors consists of eight members from member districts. The South Central Ohio Computer Association Council of Governments is in the process of merging with META Solutions; however as of the date of this financial report, the merger has not yet been fully completed.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Grant Year	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2016/2017	\$29,950
Cash Assistance:			
School Breakfast Program	10.553	2016/2017	155,861
National School Lunch Program	10.555	2016/2017	277,113
Cash Assistance Subtotal:			<u>432,974</u>
Total Child Nutrition Cluster			462,924
Team Nutrition Grant	10.574	2017	<u>8,821</u>
Total U.S. Department of Agriculture			471,745
Passed Through Ohio Department of Education			
Title I:			
Title I Grants to Local Educational Agencies	84.010	2016	32,225
	84.010	2017	415,878
Total Title I			<u>448,103</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	2016	36,469
	84.027	2017	237,831
Total Special Education - Grants to States			<u>274,300</u>
Special Education - Preschool Grant	84.173	2017	<u>1,794</u>
Total Special Education Cluster			276,094
21st Century Grant	84.287	2017	200,000
Rural Education	84.358	2017	20,567
Improving Teacher Quality State Grants	84.367	2016	9,537
	84.367	2017	69,152
Total Improving Teacher Quality State Grants			<u>78,689</u>
Total U.S. Department of Education			<u>1,023,453</u>
Total Expenditures of Federal Awards			<u>\$1,495,198</u>

The accompanying notes are an integral part of this Schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Oak Hill Union Local School District (the District's) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hill Union Local School District, Jackson County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2018, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2017-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 17, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Oak Hill Union Local School District's, Jackson County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Oak Hill Union Local School District's major federal programs for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Oak Hill Union Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30 2017.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 17, 2018

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

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): <ul style="list-style-type: none"> • Child Nutrition Cluster CFDA - #10.553 & #10.555 • Title I Grants to Local Educational Agencies CFDA - #84.010 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 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 Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

OAK HILL UNION LOCAL SCHOOL DISTRICT
JACKSON COUNTY

SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2017
(Continued)

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

FINDING NUMBER 2017-001 (Continued)

Noncompliance – Ohio Rev. Code § 117.38 (Continued)

Ohio Admin. Code § 117-2-03(B) requires the District to file its annual financial report pursuant to generally accepted accounting principles. However, the District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles.

The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should take the necessary steps to ensure that its annual financial report is prepared in accordance with generally accepted accounting principles.

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

3. FINDINGS FOR FEDERAL AWARDS

None.

OAK HILL UNION LOCAL SCHOOLS

205 Western Avenue Oak Hill, Ohio 45656
Phone: 740-682-7595 Fax: 740-682-6998

Michael McCoy
Superintendent

Rhonda Harrison
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR PART 200.511(b)
JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance with Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) – Annual Financial Report not presented in accordance with generally accepted accounting principles.	Not Corrected.	Not cost effective for District to file.

OAK HILL UNION LOCAL SCHOOLS

205 Western Avenue Oak Hill, Ohio 45656
Phone: 740-682-7595 Fax: 740-682-6998

Michael McCoy
Superintendent

Rhonda Harrison
Treasurer

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The District does not believe preparing financial statements in accordance with GAAP is cost beneficial.	N/A	Treasurer, Rhonda Harrison



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OAK HILL UNION LOCAL SCHOOL DISTRICT

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 1, 2018