



**Auditor of State  
Betty Montgomery**



OAK HILLS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Fiduciary Net Assets – Fiduciary Funds.....	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	18
Notes to the Basic Financial Statements .....	19
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	39
Notes to the Required Supplementary Information.....	40
Schedule of Federal Awards Expenditures.....	43
Notes to the Schedule of Federal Awards Expenditures .....	44
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	45
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	47
Schedule of Findings.....	49

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Oak Hills Local School District  
Hamilton County  
6325 Rapid Run Road  
Cincinnati, Ohio 45233

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hills Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hills Local School District, Hamilton County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion & Analysis and the budgetary comparison for the General Fund are not required parts of the basic financial statements but are supplementary information that accounting principles generally accepted in the United States of America require. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

July 18, 2006

**OAK HILLS LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

The discussion and analysis of Oak Hills Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

**Financial Highlights**

Key financial highlights for fiscal year 2005 are as follows:

- Net assets of governmental activities increased \$4,232,013 which represents a 121% increase from 2004.
- General revenues accounted for \$63,830,919 in revenue or 87% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,932,235 or 13.5% of total revenues of \$73,763,154.
- Total assets of governmental activities decreased by \$1,984,260 as taxes receivable decreased by \$2,516,047 while cash and other receivables increased by \$632,981.
- The District had \$69,531,141 in expenses related to governmental activities; only \$9,932,235 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$63,830,919 were also used to provide for these programs.
- All governmental funds had total revenues and other financing sources of \$112,016,284 and expenditures and other financing uses of \$107,171,251. The net change in fund balance increased \$4,845,033, or 13% for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Government-wide Financial Statements* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. *Fund financial statements* provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and the Debt Service Fund are the major funds of the District.

## **Government-wide Financial Statements**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation of noninstructional services, extracurricular activities, and interest and fiscal charges.

## **Fund Financial Statements**

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

**Governmental Funds** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.



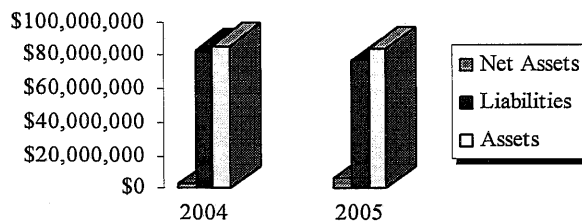
## The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2004 compared to 2005:

Table 1  
Net Assets

	Governmental Activities	
	2004 Restated	2005
<b>Assets</b>		
Current Assets	\$62,742,076	\$61,226,668
Capital Assets	24,004,033	23,535,181
<b>Total Assets</b>	<b>86,746,109</b>	<b>84,761,849</b>
<b>Liabilities</b>		
Long-Term Liabilities	53,339,331	54,075,348
Other Liabilities	29,900,913	22,948,623
<b>Total Liabilities</b>	<b>83,240,244</b>	<b>77,023,971</b>
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Debt	1,488,025	1,556,634
Restricted	3,401,275	4,341,575
Unrestricted	(1,383,435)	1,839,669
<b>Total Net Assets</b>	<b>\$3,505,865</b>	<b>\$7,737,878</b>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$7,737,878.

At year end, capital assets represented 28% of total assets. Capital assets include land improvements, buildings and improvements, and furniture and equipment. Net assets invested in capital assets, net of related debt to acquire the assets at June 30, 2005 were \$1,556,634. These net assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,341,575 represents resources that are subject to external restriction on how they may be used.

The increase in Net Assets is primarily due to the decrease in unearned revenue of \$7,175,423 from 2004 to 2005 which is because total taxes receivable decreased while total advances available increased from 2004 to 2005.

Table 2 shows the change in net assets for fiscal year 2005.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2004 Restated	2005
Revenues		
Program Revenues:		
Charges for Services	\$4,764,822	\$4,616,577
Operating Grants	4,152,417	5,125,899
Capital Grants	79,925	189,759
General Revenue:		
Property Taxes	23,861,658	32,030,310
Grants and Entitlements	24,297,985	24,698,950
Other	5,640,784	7,101,659
Total Revenues	<u>62,797,591</u>	<u>73,763,154</u>
Program Expenses:		
Instruction	33,911,601	36,534,799
Support Services:		
Pupil and Instructional Staff	6,622,374	7,330,720
General and School Administrative, Fiscal and Business	5,794,682	5,931,108
Operations and Maintenance	5,788,414	5,799,708
Pupil Transportation	1,917,715	2,266,917
Central	2,345,767	1,135,384
Operation of Non-Instructional Services	4,544,664	4,645,245
Extracurricular Activities	1,572,651	1,423,258
Interest and Fiscal Charges	2,728,226	4,464,002
Total Expenses	<u>65,226,094</u>	<u>69,531,141</u>
Change in Net Assets	(2,428,503)	4,232,013
Beginning Net Assets	<u>5,934,368</u>	<u>3,505,865</u>
Ending Net Assets	<u>\$3,505,865</u>	<u>\$7,737,878</u>

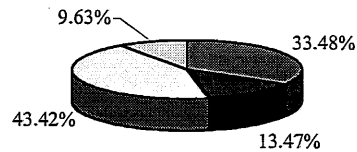
**Governmental Activities**

The District revenues are mainly from two sources. Property taxes levied for general purposes, debt service and capital projects and grants and entitlements comprised 77% of the District’s revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 43% of revenue for governmental activities for the District in fiscal year 2005.

Revenue Sources	2005	Percent of Total
General Grants	\$24,698,950	33.48%
Program Revenues	9,932,235	13.47%
General Tax Revenues	32,030,310	43.42%
Other Revenues	7,101,659	9.63%
	<u>\$73,763,154</u>	<u>100.00%</u>



Instruction comprises 53% of governmental program expenses. Support services expenses were 32% of governmental program expenses. All other expenses and interest expense was 15%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The District had an increase in revenues from 2004 to 2005. The District had an increase in property taxes for 2005 of \$8,168,652. The increase in property tax revenue is a result of the increase in revenue recognized as property tax advances available.

The District had an increase in expenses from 2004 to 2005. Interest and fiscal charges increased \$1,735,776 due to larger debt payments for the new debt issued. Instructional expense increased \$2,623,198 due to the District spending money to upgrade technology.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. These services are mainly supported by tax revenue and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2004 Restated	2005	2004 Restated	2005
Instruction	\$33,911,601	\$36,534,799	(\$32,188,919)	(\$34,319,655)
Support Services:				
Pupil and Instructional Staff	6,622,374	7,330,720	(5,493,956)	(5,838,887)
General and School Administrative,				
Fiscal and Business	5,794,682	5,931,108	(5,544,065)	(5,756,340)
Operations and Maintenance	5,788,414	5,799,708	(5,765,739)	(5,790,782)
Pupil Transportation	1,917,715	2,266,917	(1,777,374)	(2,100,257)
Central	2,345,767	1,135,384	(2,306,307)	(1,085,440)
Operation of Non-Instructional Services	4,544,664	4,645,245	658,144	257,400
Extracurricular Activities	1,572,651	1,423,258	(1,082,488)	(500,943)
Interest and Fiscal Charges	2,728,226	4,464,002	(2,728,226)	(4,464,002)
Total Expenses	<u>\$65,226,094</u>	<u>\$69,531,141</u>	<u>(\$56,228,930)</u>	<u>(\$59,598,906)</u>

### The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the General Fund comprised \$53,672,015 (88%) and the Debt Service Fund comprised \$5,375,271 (9%) of the total \$60,910,658 governmental funds assets.

**General Fund:** Fund balance at June 30, 2005 was \$32,554,381 including \$21,937,307 of unreserved balance. The primary reason for the increase in fund balance was an increase in taxes revenue.

**Debt Service Fund:** Fund balance at June 30, 2005 was \$2,764,120 including \$1,414,120 of unreserved balance. The fund balance is consistent from 2004 to 2005.

### General Fund Budgeting Highlights

The District's Budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the year, the District did not significantly revise the Budget.

For the General Fund, budget basis revenue was \$56,647,911, compared to original budget estimates of \$56,382,301.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2005, the District had \$23,535,181 invested in land, buildings and improvements, and furniture and equipment. Table 4 shows fiscal 2005 balances compared to fiscal 2004:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities	
	<u>2004 Restated</u>	<u>2005</u>
Land	\$2,005,500	\$2,148,500
Buildings and Improvements	20,683,783	19,771,375
Equipment	<u>1,314,750</u>	<u>1,615,306</u>
Total Net Capital Assets	<u>\$24,004,033</u>	<u>\$23,535,181</u>

The overall decrease in capital assets of \$468,852 is due to depreciation expense of \$1,361,724 exceeding capital outlay (acquisition) of \$749,872 in the fiscal year.

See Notes to the Basic Financial Statements for further details on the District's capital assets.

### Debt

At June 30, 2005, the District had \$51,174,560 in debt outstanding, \$1,612,265 due within one year. Table 5 summarizes total debt outstanding.

Table 5  
Outstanding Debt, at Year End

	<u>Governmental Activities 2004 Restated</u>	<u>Governmental Activities 2005</u>
Bonds and Notes Payable:		
Oak Hills Building Project I	\$4,400,000	\$300,000
Oak Hills Building Project II	43,305,000	10,385,000
Refunding Bonds:		
Current Interest Bonds –		
School Improvement	0	33,070,000
Capital Appreciation Bonds	0	2,919,986
Premium on Bonds	<u>0</u>	<u>2,168,574</u>
Subtotal Bonds	47,705,000	48,843,560
Capital Leases Payable:		
Computer Lease	<u>68,500</u>	<u>0</u>
Subtotal Capital Leases Payable	<u>68,500</u>	<u>0</u>
Loan Payable:		
Rickenbacker Port Authority	<u>2,635,000</u>	<u>2,331,000</u>
Subtotal Loan Payable	<u>2,635,000</u>	<u>2,331,000</u>
Total Outstanding Debt at Year End	<u>\$50,408,500</u>	<u>\$51,174,560</u>

See Notes to the Basic Financial Statements for further details on the District's obligations.

### **Economic Outlook**

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ronda Johnson, Treasurer at Oak Hills Local School District, 6325 Rapid Run Road, Cincinnati, Ohio 45233. Or E-mail at [Johnson\\_R2@oakhills.hccanet.org](mailto:Johnson_R2@oakhills.hccanet.org).

Oak Hills Local School District  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$31,742,987
Restricted Cash and Investments	380,716
Receivables:	
Taxes	28,267,214
Accounts	17,412
Interest	15,389
Intergovernmental	424,638
Deferred Bond Issuance Costs	378,312
Nondepreciable Capital Assets	2,148,500
Depreciable Capital Assets, Net	<u>21,386,681</u>
 Total Assets	 <u>84,761,849</u>
Liabilities:	
Accounts Payable	248,945
Accrued Wages and Benefits	6,465,340
Accrued Interest Payable	227,538
Unearned Revenue	16,006,800
Long-Term Liabilities:	
Due Within One Year	1,977,021
Due In More Than One Year	<u>52,098,327</u>
 Total Liabilities	 <u>77,023,971</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,556,634
Restricted for:	
Special Revenue	1,081,616
Debt Service	2,707,733
Capital Projects	171,510
Set-Aside	380,716
Unrestricted	<u>1,839,669</u>
 Total Net Assets	 <u>\$7,737,878</u>

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$30,186,325	\$1,042,193	\$247,788	\$64,785	(\$28,831,559)
Special	6,344,359	0	739,875	0	(5,604,484)
Vocational	4,115	0	0	0	(4,115)
Other	0	31,180	89,323	0	120,503
<b>Support Services:</b>					
Pupil	3,861,441	483,984	254,918	0	(3,122,539)
Instructional Staff	3,469,279	644	752,287	0	(2,716,348)
General Administration	106,358	0	0	0	(106,358)
School Administration	4,579,443	0	174,768	0	(4,404,675)
Fiscal	1,004,290	0	0	0	(1,004,290)
Business	241,017	0	0	0	(241,017)
Operations and Maintenance	5,799,708	8,926	0	0	(5,790,782)
Pupil Transportation	2,266,917	50,086	0	116,574	(2,100,257)
Central	1,135,384	0	49,944	0	(1,085,440)
Operation of Non-Instructional Services	4,645,245	2,085,649	2,816,996	0	257,400
Extracurricular Activities	1,423,258	913,915	0	8,400	(500,943)
Interest and Fiscal Charges	4,464,002	0	0	0	(4,464,002)
<b>Totals</b>	<b>\$69,531,141</b>	<b>\$4,616,577</b>	<b>\$5,125,899</b>	<b>\$189,759</b>	<b>(\$59,598,906)</b>

<b>General Revenues:</b>	
Property Taxes Levied for:	
General Purposes	28,140,075
Debt Service Purposes	3,890,235
Grants and Entitlements not Restricted to Specific Programs	24,698,950
Payment in Lieu of Taxes	5,713,783
Unrestricted Contributions	290,013
Investment Earnings	645,611
Other Revenues	452,252
<b>Total General Revenues</b>	<b>63,830,919</b>
<b>Change in Net Assets</b>	<b>4,232,013</b>
<b>Net Assets Beginning of Year (restated)</b>	<b>3,505,865</b>
<b>Net Assets End of Year</b>	<b>\$7,737,878</b>

See accompanying notes to the basic financial statements.



Oak Hills Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$28,902,330	\$1,414,120	\$1,426,537	\$31,742,987
Restricted Cash and Investments	380,716	0	0	380,716
<b>Receivables:</b>				
Taxes	24,306,063	3,961,151	0	28,267,214
Accounts	5,215	0	12,197	17,412
Interest	15,389	0	0	15,389
Intergovernmental	0	0	424,638	424,638
Interfund	62,302	0	0	62,302
<b>Total Assets</b>	<b>53,672,015</b>	<b>5,375,271</b>	<b>1,863,372</b>	<b>60,910,658</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	246,842	0	2,103	248,945
Accrued Wages and Benefits	6,012,014	0	453,326	6,465,340
Compensated Absences	22,715	0	0	22,715
Interfund Payable	0	0	62,302	62,302
Deferred Revenue	14,836,063	2,611,151	424,638	17,871,852
<b>Total Liabilities</b>	<b>21,117,634</b>	<b>2,611,151</b>	<b>942,369</b>	<b>24,671,154</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	766,358	0	260,313	1,026,671
Reserved for Property Tax Advances	9,470,000	1,350,000	0	10,820,000
Reserved for Set-Aside	380,716	0	0	380,716
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	21,937,307	0	0	21,937,307
Special Revenue Funds	0	0	489,180	489,180
Debt Service Funds	0	1,414,120	0	1,414,120
Capital Projects Funds	0	0	171,510	171,510
<b>Total Fund Balances</b>	<b>32,554,381</b>	<b>2,764,120</b>	<b>921,003</b>	<b>36,239,504</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$53,672,015</b>	<b>\$5,375,271</b>	<b>\$1,863,372</b>	<b>\$60,910,658</b>

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2005

---

Total Governmental Fund Balance		\$36,239,504
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,535,181
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	1,440,414	
Intergovernmental	<u>424,638</u>	
		1,865,052
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(227,538)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(2,878,073)</u>	
		(2,878,073)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		378,312
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(51,174,560)</u>
Net Assets of Governmental Activities		<u>\$7,737,878</u>

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$27,831,332	\$3,852,402	\$0	\$31,683,734
Tuition and Fees	1,106,765	0	159,546	1,266,311
Investment Earnings	634,268	0	11,343	645,611
Intergovernmental	24,624,549	445,435	5,108,275	30,178,259
Extracurricular Activities	199,431	0	1,039,416	1,238,847
Charges for Services	0	0	2,085,649	2,085,649
Payment in Lieu of Taxes	5,713,783	0	0	5,713,783
Other Revenues	337,873	0	273,426	611,299
<b>Total Revenues</b>	<b>60,448,001</b>	<b>4,297,837</b>	<b>8,677,655</b>	<b>73,423,493</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	29,446,203	0	268,709	29,714,912
Special	5,209,879	0	1,062,727	6,272,606
Vocational	4,115	0	0	4,115
<b>Support Services:</b>				
Pupil	3,074,519	0	699,006	3,773,525
Instructional Staff	2,716,338	0	861,492	3,577,830
General Administration	106,358	0	0	106,358
School Administration	4,238,645	0	188,733	4,427,378
Fiscal	947,640	44,999	0	992,639
Business	234,476	0	0	234,476
Operations and Maintenance	5,512,515	0	8,468	5,520,983
Pupil Transportation	2,245,040	0	0	2,245,040
Central	1,100,658	0	20,765	1,121,423
Operation of Non-Instructional Services	19,441	0	4,607,452	4,626,893
Extracurricular Activities	700,389	0	626,464	1,326,853
Capital Outlay	568,694	0	0	568,694
<b>Debt Service:</b>				
Principal Retirement	0	1,402,500	0	1,402,500
Interest and Fiscal Charges	0	2,662,235	0	2,662,235
<b>Total Expenditures</b>	<b>56,124,910</b>	<b>4,109,734</b>	<b>8,343,816</b>	<b>68,578,460</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,323,091</b>	<b>188,103</b>	<b>333,839</b>	<b>4,845,033</b>
<b>Other Financing Sources (Uses):</b>				
Payments to Refunding Bond Escrow Agent	0	0	(38,158,560)	(38,158,560)
Issuance of Refunding Bonds	0	0	35,989,986	35,989,986
Refunding Bond Premium	0	0	2,168,574	2,168,574
Transfers In	0	432,521	1,710	434,231
Transfers (Out)	(432,521)	0	(1,710)	(434,231)
<b>Total Other Financing Sources (Uses)</b>	<b>(432,521)</b>	<b>432,521</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>3,890,570</b>	<b>620,624</b>	<b>333,839</b>	<b>4,845,033</b>
<b>Fund Balance Beginning of Year (restated)</b>	<b>28,663,811</b>	<b>2,143,496</b>	<b>587,164</b>	<b>31,394,471</b>
<b>Fund Balance End of Year</b>	<b>\$32,554,381</b>	<b>\$2,764,120</b>	<b>\$921,003</b>	<b>\$36,239,504</b>

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2005

---

Net Change in Fund Balance - Total Governmental Funds \$4,845,033

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	892,872	
Depreciation Expense	<u>(1,361,724)</u>	(468,852)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	346,576	
Intergovernmental	<u>(6,915)</u>	339,661

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,402,500

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. (11,519)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Pension Obligation	(1,790,248)	
Compensated Absences	<u>(84,562)</u>	(1,874,810)

Change in Net Assets of Governmental Activities \$4,232,013

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Investments	\$989,148	\$52,566
<b>Receivables:</b>		
Accounts	0	0
Interest	0	0
<b>Total Assets</b>	<b>989,148</b>	<b>\$52,566</b>
<b>Liabilities:</b>		
Accounts Payable	0	0
Other Liabilities	0	52,566
<b>Total Liabilities</b>	<b>0</b>	<b>\$52,566</b>
<b>Net Assets:</b>		
Held in Trust	989,148	
<b>Total Net Assets</b>	<b>\$989,148</b>	

See accompanying notes to the basic financial statements.

Oak Hills Local School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2005

---

	Private Purpose Trust
Additions:	
Donations	\$43,760
Investment Earnings	12,779
Total Additions	<u>56,539</u>
Deductions:	
Scholarships	<u>79,950</u>
Total Deductions	<u>79,950</u>
Change in Net Assets	(23,411)
Net Assets Beginning of Year	<u>1,012,559</u>
Net Assets End of Year	<u><u>\$989,148</u></u>

See accompanying notes to the basic financial statements.

**OAK HILLS LOCAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2005**

**1. DESCRIPTION OF THE DISTRICT**

The Oak Hills Local School District (“the District”) represents a prior consolidation of three elementary districts: Bridgetown, Delhi and Springmyer. The consolidation was finalized by the Hamilton County Board of Education on April 23, 1956, in order to equalize educational opportunities throughout the area. Today, the District operates under current standards as prescribed by the Ohio State Board of Education, as provided in Division (D) of Section 3301.07 and Section 110.01 of the Ohio Revised Code.

The District operates under a locally elected five-member board form of government and provides educational services. The Board controls the District’s instructional programs and support facilities, staffed by 516 certificated teaching and administrative personnel and 329 non-certificated personnel. To provide services to the adult population in the community, Oak Hills has developed one of the largest community education programs in Hamilton County, Ohio.

The District is the third largest in Hamilton County and is 29<sup>th</sup> largest of all 614 districts in Ohio in terms of student enrollment, with 8,066 students for the 2004-05 school year. The District currently operates five (5) elementary schools (grades K-5), three (3) middle schools (grades 6-8), and one (1) comprehensive high school (grades 9-12).

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

#### **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the economic resources measurement focus.



## **FUND ACCOUNTING**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

### **Governmental Funds**

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust which accounts for scholarship programs for students and a student managed activity agency fund which accounts for assets and liabilities generated by student managed activities.

### 3. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

#### Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

## **CASH AND CASH EQUIVALENTS**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$634,268.

## **INTERFUND ASSETS/LIABILITIES**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

## **INVENTORY**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

## CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). In prior years, the capitalization threshold was one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Activities Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 years
Furniture and Equipment	5-20 years

## COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certified</u>	<u>Administrators</u>	<u>Non-Certificated</u>
How Earned	Not Eligible	25 days at the start of each contract year	5-20 days for each service year, depending on length of service
Maximum Accumulation	Not Applicable	37.5 days; can be paid for 5 days at year end	30 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	252 days	300 days	247 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per contract	Per contract	Per contract

## NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## INTERFUND ACTIVITY

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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 expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

## **FUND EQUITY**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, budgetary set-asides and property tax advances. The reserve for property tax advances represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

## **INTERFUND BALANCES**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

## **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **RESTRICTED ASSETS**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

## **4. CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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.

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

### Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2005, \$9,814,952 of the District's bank balance of \$9,614,952 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

### Investments

As of June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Agency Bonds	\$13,829,548	0.90
Federal Agency Notes	1,650,000	1.29
Money Market Accounts	35,000	0.00
STAR Ohio	<u>8,837,919</u>	0.00
Total Fair Value	<u>\$24,352,467</u>	
Portfolio Weighted Average Maturity		0.60

Interest rate risk - 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 to three years.

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The District's investments in Federal Agencies and in the Money Market Funds were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Investments in STAR Ohio were rated AAA by Standard& Poor's.

Concentration of credit risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities.

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. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.



Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

## **5. PROPERTY TAXES**

Real property taxes collected in 2005 were levied in April on the assessed values as of January 1, 2004, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2005, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most business and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. In 2005, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2005. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2005 on the fund financial statements. The entire amount of delinquent taxes receivable is recognized as revenue in the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005, was \$9,470,000 for General Fund and \$1,350,000 for Debt Service, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2005 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$1,028,989,400
Public Utility Personal	35,567,890
Tangible Personal Property	<u>23,345,190</u>
Total	<u>\$1,087,902,480</u>

## 6. RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

## 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended was as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,005,500	\$143,000	\$0	\$2,148,500
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	33,489,781	132,377	0	33,622,158
Equipment	<u>4,646,273</u>	<u>617,495</u>	<u>0</u>	<u>5,263,768</u>
Totals at Historical Cost	<u>\$40,141,554</u>	<u>\$892,872</u>	<u>\$0</u>	<u>\$41,034,426</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$12,805,998	\$1,044,785	\$0	\$13,850,783
Equipment	<u>3,331,523</u>	<u>316,939</u>	<u>0</u>	<u>3,648,462</u>
Total Accumulated Depreciation	<u>16,137,521</u>	<u>1,361,724</u>	<u>0</u>	<u>17,499,245</u>
Governmental Activities Capital Assets, Net	<u>\$24,004,033</u>	<u>(\$468,852)</u>	<u>\$0</u>	<u>\$23,535,181</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$580,844
Special	44,559
Support Services:	
Pupil	845
Instructional Staff	43,025
School Administration	42,643
Fiscal	13,005
Operations and Maintenance	292,912
Pupil Transportation	128,813
Central	8,603
Operation of Non-Instructional Services	95,295
Extracurricular Activities	<u>111,180</u>
Total Depreciation Expense	<u>\$1,361,724</u>

## 8. LONG-TERM LIABILITIES

	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>					
General Obligation Bonds and Notes:					
Oak Hills Building Project I 5.59% *	\$4,400,000	\$ 0	\$4,100,000	\$300,000	\$100,000
Oak Hills Building Project II 5.42% *	43,305,000	0	32,920,000	10,385,000	1,075,000
Refunding Bonds:					
Current Interest Bonds – School Improvement 4.37%	0	33,070,000	0	33,070,000	25,000
Capital Appreciation Bonds 4.37%	0	2,919,986	0	2,919,986	0
Premium on Bonds 2005	<u>0</u>	<u>2,168,574</u>	<u>0</u>	<u>2,168,574</u>	<u>103,265</u>
Total General Obligation Bonds	47,705,000	38,158,560	37,020,000	48,843,560	1,303,265
Capital Leases	68,500	0	68,500	0	0
Loan Payable	<u>2,635,000</u>	<u>0</u>	<u>304,000</u>	<u>2,331,000</u>	<u>309,000</u>
Total Long-Term Debt	50,408,500	38,158,560	37,392,500	51,174,560	1,612,265
Compensated Absences	<u>2,930,831</u>	<u>601,325</u>	<u>631,368</u>	<u>2,900,788</u>	<u>364,756</u>
Total Governmental Activities Long-Term Liabilities	<u>\$53,339,331</u>	<u>\$38,759,885</u>	<u>\$38,023,868</u>	<u>\$54,075,348</u>	<u>\$1,977,021</u>

\*Bonds were partially refunded during the fiscal year. The refunded amount for Project I was \$4,000,000, \$100,000 was the principal payment. The refunded amount for Project II was \$31,989,986, \$930,014 was the principal payment.

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the debt service fund.

Principal and interest requirements to retire general obligation debt and notes and loans payable outstanding at year end are as follows:

Fiscal Year Ending June 30.	General Obligation Bonds			Loan Payable			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$1,303,265	\$1,132,581	\$2,435,846	\$309,000	\$73,426	\$382,426	\$0	\$0	\$0
2007	1,628,265	2,209,525	3,837,790	315,000	63,694	378,694	0	0	0
2008	1,813,265	2,139,025	3,952,290	322,000	53,770	375,770	0	0	0
2009	2,018,265	2,046,830	4,065,095	330,000	43,628	373,628	0	0	0
2010	1,138,265	1,919,495	3,057,760	340,000	33,232	373,232	0	0	0
2011-2015	3,182,448	9,160,944	12,343,392	715,000	33,988	748,988	4,170,000	0	4,170,000
2016-2020	11,250,192	7,630,405	18,880,597	0	0	0	0	0	0
2021-2024	17,821,327	3,844,250	21,665,577	0	0	0	0	0	0
2026	4,518,268	220,750	4,739,018	0	0	0	0	0	0
Totals	<u>\$44,673,560</u>	<u>\$30,303,805</u>	<u>\$74,977,365</u>	<u>\$2,331,000</u>	<u>\$301,738</u>	<u>\$2,632,738</u>	<u>\$4,170,000</u>	<u>\$0</u>	<u>\$4,170,000</u>

## 9. ADVANCED REFUNDING

On June 1, 2005, the District issued \$35,989,986 in General Obligation bonds with an average interest rate of 4.37%, which was used to advance refund \$35,989,986 of outstanding 1997 Series bonds with an average interest rate of 5.51%. In addition to the bond proceeds, the District received \$2,168,574 in premiums. The District purchased \$38,158,560 in U.S. Government Securities which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Series Bonds. As a result, \$35,989,986 of the 1997 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The District advanced refunded the 1997 Series bonds to reduce its total debt service payments by \$3,041,133 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,034,958.

## 10. LOAN PAYABLE

During the fiscal year 2002, the District entered into a \$3,300,000 loan payable and reissued \$2,635,000 loan payable during fiscal year 2004 to the Rickenbacker Port Authority, Ohio, (the Port Authority). The District capitalized buildings related to the loan.

The loan document refers to the transaction as a lease-purchase agreement, but the substance of the transaction is in the nature of a loan. The loan was made by the Port Authority to the District as the result of the Port Authority's issuance of bonds, the proceeds of which were made available to numerous public school districts in Ohio to assist in the financing and re-financing of permanent improvements and was sponsored by the Ohio School Board Association Expanded Asset Pooled Financing Program.

## **11. LEASES**

### **CAPITAL LEASES**

The District had one capital lease at fiscal year end for computers which was paid off during the year.

## **12. PENSION PLANS**

### **SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,184,832, \$1,145,484, and \$1,051,020 respectively; 50% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

### **STATE TEACHERS RETIREMENT SYSTEM**

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.3%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$4,298,400, \$4,114,752, and \$3,969,336 respectively; 83% has been contributed for fiscal year 2005 and 100% for fiscal year 2004 and 2003.

### **13. POST EMPLOYMENT BENEFITS**

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

For STRS Ohio, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund for which payments for health care benefits are paid. For the District, this amount equaled \$307,029 during the 2005 fiscal year. As of June 30, 2005, eligible benefit recipients totaled 115,395. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based upon years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For 2005 fiscal year, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year, the minimum pay has been established at \$27,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. The number of participants currently receiving health care benefits is approximately 58,123. For the fiscal year ended June 30, 2005, net health care costs paid by SERS were \$178,221,113.

## **14. CONTINGENT LIABILITIES**

### **GRANTS**

The District receives significant financial assistance from numerous federal, state and local 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2005.

### **LITIGATION**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

## 15. JOINTLY GOVERNED ORGANIZATIONS

The Great Oaks Joint Vocational School (the School), a jointly governed organization, is a distinct political subdivision of the State of Ohio which operates under the direction of a Board consisting of one representative from each participating school district's elected board. The Board possesses its own budgeting and taxing authority. The Vocational School provides academic preparation and job training which leads to employment and/or further education upon graduation from high school. The District has no ongoing financial interest in or responsibility for the Vocational School.

The District is a participant in the Hamilton/Clermont Cooperative Association (HCCA) which is a computer consortium A-site used by the District. HCCA is an association of public districts in a geographic area determined by the Ohio Department of Education. 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 districts. The Board of the School consists of one representative from each of the participating members. The degree of control exercised by any participating district is limited to its representation on the board.

## 16. RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District carries insurance coverage with the following companies.

<u>Coverage</u>	<u>Company</u>
Automobile	UTICA National
Property	UTICA National
General Liability	UTICA National

Limits and deductible amounts for the above policies vary accordingly.

<u>Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Automobile	\$1,000,000 each occurrence	\$100 collision
Property	\$57,617,900 blanket coverage	\$1,000 each loss
General Liability	\$2,000,000 general aggregate	

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



## 17. ACCOUNTABILITY

The following individual funds had a deficit in fund balance /net assets at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Fund:	
Summer Intervention	\$38,842
Special Education	124,407
Title I	50,386
Drug Free Schools	5,460
IDEA Preschool Grant	2,900
Improving Teacher Quality	10,827

## 18. FUND BALANCE RESERVES FOR SET-ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2004	(\$569,211)	\$ 0	\$380,716
Current Year Set-aside Requirement	1,142,983	1,142,983	0
Qualified Disbursements	(1,372,736)	(1,321,101)	0
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$380,716</u>
Restricted Cash as of June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$380,716</u>
Carried Forward to FY 2006	<u>(\$798,964)</u>	<u>\$ 0</u>	<u>\$ 0</u>

Qualifying disbursements for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks totaled \$1,941,947, resulting in \$798,964 for carryover to offset textbook requirements in future years.

## 19. INTERFUND BALANCES/TRANSFERS

At fiscal year end, interfund transactions and interfund receivables and payables were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$62,302	\$0	\$0	\$432,521
Debt Service	0	0	432,521	0
Other Governmental Funds	<u>0</u>	<u>62,302</u>	<u>1,710</u>	<u>1,710</u>
Total all funds	<u>\$62,302</u>	<u>\$62,302</u>	<u>\$434,231</u>	<u>\$434,231</u>

Transfers out of the General Fund were made to provide resources to the Debt Service and the Student Activity Funds.

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization; to segregate and to return money to the fund from which it was originally provided once a project is completed.

**20. CHANGE IN ACCOUNTING PRINCIPLE/PRIOR PERIOD ADJUSTMENT**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

For 2005, the District has implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and nonmajor funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	\$28,879,732	\$633,671
GASB Technical Bulletin No. 2004-2	<u>(215,921)</u>	<u>(46,507)</u>
Restated Fund Balance, June 30, 2004	<u>\$28,663,811</u>	<u>\$587,164</u>

A prior period adjustment is required to restate the capital lease at June 30, 2004. A prior period adjustment is also required to restate capital assets at June 30, 2004 due to an understatement in cost on buildings and improvements and equipment and an overstatement of accumulated depreciation on buildings and improvements and equipment. These restatements had the following effect on net assets at June 30, 2004:

	<u>Governmental Activities</u>
Net assets as previously reported	\$2,706,257
Restatement for capital lease	(68,500)
Restatement for capital assets	<u>868,108</u>
Net assets, restated at July 1, 2004	<u>\$3,505,865</u>

Oak Hills Local School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$23,922,337	\$24,035,032	\$24,035,032	\$0
Revenue in lieu of taxes	5,686,992	5,713,783	5,713,783	0
Tuition and Fees	1,103,926	1,109,126	1,109,126	0
Investment Earnings	638,210	641,217	641,217	0
Intergovernmental	24,509,090	24,624,549	24,624,549	0
Extracurricular Activities	193,972	194,886	194,886	0
Other Revenues	327,774	329,318	329,318	0
<b>Total Revenues</b>	<b>56,382,301</b>	<b>56,647,911</b>	<b>56,647,911</b>	<b>0</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	31,033,468	29,816,942	29,816,980	(38)
Special	5,443,089	5,229,724	5,229,724	0
Vocational	4,283	4,115	4,115	0
<b>Support Services:</b>				
Pupil	3,196,632	3,071,327	3,071,327	0
Instructional Staff	2,845,553	2,734,010	2,734,010	0
General Administration	113,318	108,876	108,876	0
School Administration	4,423,816	4,250,406	4,250,406	0
Fiscal	1,011,420	971,773	971,773	0
Business	252,383	242,490	242,490	0
Operations and Maintenance	5,899,940	5,668,667	5,668,667	0
Pupil Transportation	2,307,627	2,217,170	2,217,170	0
Central	1,392,784	1,338,188	1,338,188	0
Operation of Non-Instructional Services	65,018	62,469	62,469	0
Extracurricular Activities	724,247	695,857	695,857	0
Capital Outlay	743,856	714,697	714,697	0
<b>Total Expenditures</b>	<b>59,457,434</b>	<b>57,126,711</b>	<b>57,126,749</b>	<b>(38)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,075,133)</b>	<b>(478,800)</b>	<b>(478,838)</b>	<b>(38)</b>
<b>Other financing sources (uses):</b>				
Proceeds from Sale of Capital Assets	31,256	31,403	31,403	0
Advances In	286,442	287,791	287,791	0
Advances (Out)	(64,844)	(62,302)	(62,302)	0
Transfers (Out)	(450,167)	(432,521)	(432,521)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(197,313)</b>	<b>(175,629)</b>	<b>(175,629)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(3,272,446)</b>	<b>(654,429)</b>	<b>(654,467)</b>	<b>(38)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>28,939,695</b>	<b>28,939,695</b>	<b>28,939,695</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$25,667,249</b>	<b>\$28,285,266</b>	<b>\$28,285,228</b>	<b>(\$38)</b>

See accompanying notes to the required supplementary information.

**OAK HILLS LOCAL SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2005**

**1. BUDGETARY PROCESS**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations 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 amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2005.

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

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$3,890,570
Net Adjustment for Revenue Accruals	(3,480,896)
Net Adjustment for Expenditure Accruals	(50,941)
Encumbrances	<u>(1,013,200)</u>
Budget Basis	<u>(\$654,467)</u>

**This page intentionally left blank.**

**OAK HILLS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	05-PU	10.550	\$0	\$31,277	\$0	\$31,277
National School Breakfast Program	05-PU	10.553	9,215	0	9,215	0
National School Lunch Program	04-LLP	10.555	67,426	0	67,426	0
Special Milk Program	02-PU	10.556	72,054	0	72,054	0
Total Child Nutrition Cluster			<u>148,695</u>	<u>31,277</u>	<u>148,695</u>	<u>31,277</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>148,695</u></b>	<b><u>31,277</u></b>	<b><u>148,695</u></b>	<b><u>31,277</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF & 6B-SD	84.027	2,023,204	0	1,758,819	0
Special Education - Preschool Grant	PG-S1	84.173	32,854	0	29,164	0
Total Special Education Cluster			<u>2,056,058</u>	<u>0</u>	<u>1,787,983</u>	<u>0</u>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	287,030	0	312,713	0
Title VI-R Classroom Size Reduction	n/a	84.184	0	0	175	0
Safe and Drug-Free Schools and Communities	DR-S1	84.186	31,752	0	24,844	0
Vocational Education Basic Grants to States	n/a	84.048	19,278	0	7,156	0
Innovative Education Program Grant	C2-S1	84.298	46,529	0	41,462	0
Technology Literacy Challenge	TJ-S1	84.318	10,372	0	9,176	0
Title II, Part A - Teacher and Principal Training	TR-S1	84.367	237,375	0	229,119	0
<b>Total U.S. Department of Education</b>			<b><u>2,688,394</u></b>	<b><u>0.00</u></b>	<b><u>2,412,628</u></b>	<b><u>0</u></b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>						
Public Assistance Hurricane Grant	n/a	97.036	8,468	0	8,468	0
<b>Total U.S. Department of Homeland Security</b>			<b><u>8,468</u></b>	<b><u>0</u></b>	<b><u>8,468</u></b>	<b><u>0</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>						
<i>Passed through Ohio Department of Jobs &amp; Family Services</i>						
Medical Assistance Payments - Title XIX (Community Alternative Funding System)	n/a	93.778	165,137	0	165,137	0
<b>Total U.S. Department of Health &amp; Human Services</b>			<b><u>165,137</u></b>	<b><u>0</u></b>	<b><u>165,137</u></b>	<b><u>0</u></b>
<b>Totals</b>			<b><u>\$3,010,694</u></b>	<b><u>\$31,277</u></b>	<b><u>\$2,734,928</u></b>	<b><u>\$31,277</u></b>

**OAK HILLS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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





**Auditor of State  
Betty Montgomery**

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

Oak Hills Local School District  
Hamilton County  
6325 Rapid Run Road  
Carlisle, Ohio 45233

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Hills Local School District, Hamilton County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 18, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated July 18, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

**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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the District's management dated July 18, 2006, we reported other matters related to noncompliance we deemed immaterial.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Oak Hills Local School District  
Hamilton County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

July 18, 2006



## Auditor of State Betty Montgomery

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

Oak Hills Local School District  
Hamilton County  
6325 Rapid Run Road  
Cincinnati, Ohio 45233

To the Board of Education:

#### **Compliance**

We have audited the compliance of the Oak Hills Local School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement, that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

#### **Internal Control Over Compliance**

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

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

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

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

**Betty Montgomery**  
Auditor of State

July 18, 2006

**OAK HILLS LOCAL SCHOOL DISTRICT  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (CFDA 84.027 & 84.173) & Grants to Local Educational Agencies Title I (CFDA 84.010)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**OAK HILLS LOCAL SCHOOL DISTRICT**

**HAMILTON 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  
AUGUST 29, 2006**