



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

ROCK HILL LOCAL SCHOOL DISTRICT LAWRENCE COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013
Fiscal Year Audited Under GAGAS: 2013



Dave Yost • Auditor of State

Board of Education
Rock Hill Local School District
2325A County Road 26
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of the Rock Hill Local School District, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Rock Hill Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 4, 2014

This page intentionally left blank.

Rock Hill Local School District
Basic Financial Statements
For The Year Ended June 30, 2013

Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	18
Statement of Fiduciary Assets and Liabilities – Agency Fund.....	19
Notes to the Basic Financial Statements.....	20
Schedule of Federal Awards Receipts and Expenditures.....	45
Notes to the Schedule of Federal Awards Receipts and Expenditures	46
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	47
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	49
Schedule of Findings OMB Circular A-133 Section §.505.....	51
Schedule of Prior Audit Findings, OMB Circular A-133 Section §315(b).....	53
Independent Auditor’s Report on Applying Agreed Upon Procedures.....	54



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report

Rock Hill Local School District
2325A County Road 26
Ironton, Ohio 45638

Members of the Board of Education

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Rock Hill Local School District, Lawrence County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Rock Hill Local School District, Lawrence County, Ohio, as of June 30, 2013, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the financial statements, during the year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 27, 2013

Rock Hill Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

The discussion and analysis of the Rock Hill Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2013 are as follows:

- Net position of governmental activities decreased \$1,023,051.
- General revenues accounted for \$14,965,404 in revenue, or 75.0 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$4,861,182 or 25.0 percent of total revenues of \$19,826,586.
- The School District had \$20,849,637 in expenses related to governmental activities; only \$4,861,182 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily taxes and intergovernmental) of \$14,965,404 were not adequate to cover the remaining expenses.
- Total governmental funds had \$20,912,536 in revenues and other financing sources and \$22,448,693 in expenditures and other financing uses. The total governmental fund balance decreased \$1,536,157.

USING THE BASIC 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 Rock Hill Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred inflows/outflows of resources 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.

Rock Hill Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

These two statements report the School District's net position and changes to that position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Permanent Improvements and Classroom Facilities Capital Projects Funds.

Governmental Funds All of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds The School District accounts for resources held for the benefit of parties outside the government as fiduciary funds. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the School District's own programs. The School District uses accrual accounting for its fiduciary fund.

Rock Hill Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012.

Table 1
Net Position

	Governmental Activities		
	2013	2012*	Change
Assets			
Current and Other Assets	\$12,038,828	\$14,006,695	(\$1,967,867)
Capital Assets, Net	34,856,125	33,776,940	1,079,185
Total Assets	<u>46,894,953</u>	<u>47,783,635</u>	<u>(888,682)</u>
Liabilities			
Long-Term Liabilities	3,686,770	4,042,718	(355,948)
Current and Other Liabilities	<u>2,601,029</u>	<u>2,460,149</u>	<u>140,880</u>
Total Liabilities	<u>6,287,799</u>	<u>6,502,867</u>	<u>(215,068)</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	<u>2,317,060</u>	<u>1,967,623</u>	<u>349,437</u>
Total Deferred Inflows of Resources	<u>2,317,060</u>	<u>1,967,623</u>	<u>349,437</u>
Net Position			
Net Investment in Capital Assets	32,115,465	33,104,967	(989,502)
Restricted	5,102,804	4,752,814	349,990
Unrestricted	<u>1,071,825</u>	<u>1,455,364</u>	<u>(383,539)</u>
Total Net Position	<u>\$38,290,094</u>	<u>\$39,313,145</u>	<u>(\$1,023,051)</u>

*Certain reclassifications were made to 2012 to conform with the 2013 presentation.

Total assets of governmental activities decreased \$888,682. This is due to a decrease in cash and cash equivalents in the amount of \$1,862,663, offset by an increase in capital assets in the amount of \$1,079,185. The decrease in cash and cash equivalents is due to the cost of capital improvements being used from the note and lease proceeds relating to the School District's House Bill 264 Energy Conservation Project received in the prior year. The increase in capital assets is due to the additions to construction in progress related to the House Bill 264 Energy Conservation Project which is partially offset by depreciation of capital assets.

Total liabilities of governmental activities decreased \$215,068. Long-term liabilities decreased by \$355,948 due to current year principal payments. Other liabilities increased by \$140,880 due to increases in matured compensated absences and contracts payable, which is offset by a decrease in accounts payable and intergovernmental payable.

Rock Hill Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013, and comparisons to fiscal year 2012.

Table 2
Changes in Net Position

	Governmental Activities		
	2013	2012*	Change
Revenues			
Program Revenues:			
Charges for Services	\$1,049,535	\$1,013,274	\$36,261
Operating Grants and Contributions	3,811,647	4,565,955	(754,308)
Total Program Revenues	<u>4,861,182</u>	<u>5,579,229</u>	<u>(718,047)</u>
General Revenues:			
Property Taxes	2,288,387	2,402,919	(114,532)
Grants and Entitlements not Restricted	12,385,174	11,876,468	508,706
Gifts and Donations	94	0	94
Investment Earnings	14,005	16,910	(2,905)
Miscellaneous	277,744	34,114	243,630
Total General Revenues	<u>14,965,404</u>	<u>14,330,411</u>	<u>634,993</u>
Total Revenues	<u>19,826,586</u>	<u>19,909,640</u>	<u>(83,054)</u>
Program Expenses			
Instruction:			
Regular	7,480,596	7,929,130	448,534
Special	2,644,521	2,612,559	(31,962)
Vocational	241,665	288,252	46,587
Other	1,846,296	1,680,395	165,901
Support Services:			
Pupils	850,066	680,821	(169,245)
Instructional Staff	475,482	492,636	17,154
Board of Education	358,646	501,276	142,630
Administration	1,288,464	1,178,992	(109,472)
Fiscal	377,023	390,841	13,818
Operation and Maintenance of Plant	2,073,295	2,484,156	410,861
Pupil Transportation	1,428,816	1,362,880	(65,936)
Central	132,690	112,121	(20,569)
Operation of Non-Instructional Services	961,187	966,266	(5,079)
Extracurricular Activities	610,167	592,028	(18,139)
Interest and Fiscal Charges	80,723	0	(80,723)
Total Expenses	<u>20,849,637</u>	<u>21,272,353</u>	<u>744,360</u>
Decrease in Net Position	(1,023,051)	(1,362,713)	339,662
Net Position at Beginning of Year	<u>39,313,145</u>	<u>40,675,858</u>	<u>(1,362,713)</u>
Net Position at End of Year	<u>\$38,290,094</u>	<u>\$39,313,145</u>	<u>(\$1,023,051)</u>

*Certain reclassifications were made to 2012 to conform with the 2013 presentation.

Rock Hill Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

Governmental Activities

Property taxes made up approximately 11.5 percent of revenues for governmental activities for the Rock Hill Local School District. Of the remaining revenues, the School District receives 81.7 percent from state foundation, federal, and state grants, and 5.3 percent from charges for services. Operating grants and contributions decreased due to less monies received from the Education Jobs and Race to the Top programs. Grants and entitlements not restricted decreased due to less foundation monies received. Miscellaneous revenue increased due to additional miscellaneous receipts received in 2013 as compared to 2012.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue 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 increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain why a decrease in the School District's taxable value is accompanied by the decrease in tax revenue. Property taxes made up 11.5 percent of revenues for governmental activities for Rock Hill Local School District in 2013. Additionally, increases in property taxes would only have a nominal effect upon the School District's total revenue. This is due to the funding formula in place in Ohio, any increase in property tax revenue would be offset by a corresponding decrease in state funding the School District would receive.

58.6 percent of the School District's budget is used to fund instructional expenses. Support services make up 38.1 percent of expenses and 3.3 percent is used for extracurricular activities and non-instructional services. Operation and maintenance of plant decreased due to less maintenance and repair in the current year as items were replaced and capitalized. Regular instruction decreased as a directed result of decreased in monies received from the Education Jobs and Race to the Top programs.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions, offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	2013 Total Cost of Services	2013 Net Cost of Services	2012 Total Cost of Services	2012 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$7,480,596	\$6,295,759	\$9,609,525	\$6,774,646
Special	2,644,521	970,620	2,612,559	989,659
Vocational	241,665	159,188	288,252	218,398
Other	1,846,296	1,739,439	0	0
Support Services:				
Pupils	850,066	637,774	680,821	584,838
Instructional Staff	475,482	399,346	492,636	416,756
Board of Education	358,646	337,889	501,276	501,276
Administration	1,288,464	1,178,361	1,178,992	1,132,978
Fiscal	377,023	355,354	390,841	390,760
Operation and Maintenance of Plant	2,073,295	1,695,890	2,484,156	2,478,603
Pupil Transportation	1,428,816	1,359,486	1,362,880	1,335,510
Central	132,690	125,010	112,121	106,721
Operation of Non-Instructional Services	961,187	178,118	966,266	227,188
Extracurricular Activities	610,167	479,819	592,028	535,791
Interest and Fiscal Charges	80,723	76,402	0	0
Totals	\$20,849,637	\$15,988,455	\$21,272,353	\$15,693,124

Rock Hill Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

As you can see, the reliance upon local tax revenues for governmental activities is crucial. 11 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs supported 59 percent of expenses. Program revenue supported 23 percent of expenses, while investments and other miscellaneous types of revenues supported the remaining activity costs. The dependence upon tax revenues and State subsidies for governmental activities is apparent.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,742,536 and expenditures of \$22,278,693.

The fund balance of the General Fund increased \$613,998. The General Fund had a year end fund balance of 2,027,106.

The fund balance of the Permanent Improvements Capital Projects Fund increased \$367,057. The Permanent Improvement Fund's ended the 2013 fiscal year with a fund balance of \$3,748,783.

The fund balance of the Classroom Facilities Capital Projects Fund decreased \$2,687,891. This decrease is due to the School District starting its energy conservation project in June, 2013. The decrease represents increased capital outlay for construction in progress.

General Fund Budgeting Highlights

The School 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 fiscal 2013, the School District did amend its General Fund estimated revenues numerous times. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue estimate was \$17,550,067, which represented a decrease of \$78,108 from original estimates of \$17,628,175. The final budget basis expenditure estimate of \$16,512,263 represented a \$182,795 decrease from the original estimates of \$16,695,238.

The School District's ending unobligated general fund balance was \$3,187,731.

Rock Hill Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the School District had \$34,856,125 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles. Table 4 shows fiscal year 2013 balances compared to 2012.

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

	Governmental Activities	
	2013	2012
Land	\$817,657	\$817,657
Construction in Progress	3,466,926	671,973
Land Improvements	6,257,673	6,840,307
Buildings and Improvements	23,270,689	24,224,182
Furniture, Fixtures, and Equipment	712,296	793,545
Vehicles	330,884	429,276
Totals	\$34,856,125	\$33,776,940

For additional information on capital assets, see Note 10 to the basic financial statements.

Debt

At June 30, 2013, the School District had outstanding Energy Conservation Notes in the amount of \$1,100,000, and a Lease-Purchase Agreement in the amount of \$1,500,000.

For additional information on debt, see Note 16 to the basic financial statements.

CURRENT ISSUES

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely on local property taxes in which it does not foresee any sustainable growth in revenue. Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (approximately 82.6 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District has begun to see decreases in student enrollment, and while State revenue growth has shifted toward school districts with low property tax wealth, the decreasing student enrollment has served to somewhat offset increases in Federal and State funding.

Rock Hill Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year June 30, 2013
Unaudited

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (higher employee costs). In the long run, the fact remains that as long as the State avoids the complete systematic overhaul the Supreme Court ordered in its initial ruling, all schools in Ohio will be faced with the same problem in the future – either increasing its revenue (passing levies) or decreasing expenses (making budget cuts).

As the preceding information shows, the School District continues to depend state and federal funding, and its taxpayers. Although Rock Hill Local School District has attempted to keep spending in line with revenues, and carefully watched financial planning, it must keep its revenue to expense ratios improving if the School District hopes to remain on firm financial footing.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions or need additional information, contact Chris Robinson, Treasurer at Rock Hill Local School District, 2325A County Road 26, Ironton, Ohio 45638.

Rock Hill Local School District, Ohio

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,308,108
Intergovernmental Receivable	369,439
Accounts Receivable	832
Property Taxes Receivable	2,778,384
Revenue in Lieu of Taxes Receivable	573,500
Restricted Cash and Cash Equivalents	8,565
Nondepreciable Capital Assets	4,284,583
Depreciable Capital Assets, Net	<u>30,571,542</u>
<i>Total Assets</i>	<u>46,894,953</u>
Liabilities	
Accounts Payable	73,564
Accrued Wages and Benefits Payable	1,521,217
Contracts Payable	132,095
Intergovernmental Payable	449,591
Accrued Interest Payable	6,077
Matured Compensated Absences Payable	169,920
Retainage Payable	8,565
Early Retirement Incentive Payable	240,000
Long-Term Liabilities:	
Due within One Year	386,668
Due in More than One Year	<u>3,300,102</u>
<i>Total Liabilities</i>	<u>6,287,799</u>
Deferred Inflows of Resources	
Property Taxes not Levied to Finance Current Year Operations	<u>2,317,060</u>
Total Deferred Inflows of Resources	<u>2,317,060</u>
Net Position	
Net Investment in Capital Assets	32,115,465
Restricted for:	
Bus Purchases	154,238
Budget Stabilization	124,918
Debt Service	1,950
Capital Projects	4,355,881
Other Purposes	465,817
Unrestricted	<u>1,071,825</u>
	<u>38,290,094</u>

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June, 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$7,480,596	\$333,142	\$851,695	(\$6,295,759)
Special	2,644,521	105,681	1,568,220	(970,620)
Vocational	241,665	12,623	69,854	(159,188)
Other	1,846,296	106,857	0	(1,739,439)
Support Services:				
Pupils	850,066	33,602	178,690	(637,774)
Instructional Staff	475,482	20,964	55,172	(399,346)
Board of Education	358,646	20,757	0	(337,889)
Administration	1,288,464	65,590	44,513	(1,178,361)
Fiscal	377,023	20,380	1,289	(355,354)
Operation and Maintenance of Plant	2,073,295	107,023	270,382	(1,695,890)
Pupil Transportation	1,428,816	66,285	3,045	(1,359,486)
Central	132,690	7,680	0	(125,010)
Operation of Non-Instructional Services	961,187	79,493	703,576	(178,118)
Extracurricular Activities	610,167	65,137	65,211	(479,819)
Interest and Fiscal Charges	80,723	4,321	0	(76,402)
<i>Totals</i>	<u>\$20,849,637</u>	<u>\$1,049,535</u>	<u>\$3,811,647</u>	<u>(15,988,455)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				2,247,276
Other Purposes				41,111
Grants and Entitlements not Restricted to Specific Programs				12,385,174
Gifts and Donations				94
Investment Earnings				14,005
Miscellaneous				<u>277,744</u>
<i>Total General Revenues</i>				<u>14,965,404</u>
<i>Change in Net Position</i>				(1,023,051)
<i>Net Position at Beginning of Year</i>				<u>39,313,145</u>
<i>Net Position at End of Year</i>				<u><u>\$38,290,094</u></u>

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General	Permanent Improvements	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,577,809	\$3,847,280	\$31,734	\$572,129	\$8,028,952
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	279,156	8,565	0	0	287,721
Receivables:					
Property Taxes	2,729,727	0	0	48,657	2,778,384
Intergovernmental	122,490	0	0	246,949	369,439
Interfund	15,834	0	0	0	15,834
Accounts	832	0	0	0	832
Revenue in Lieu of Taxes	0	573,500	0	0	573,500
Total Assets	<u>\$6,725,848</u>	<u>\$4,429,345</u>	<u>\$31,734</u>	<u>\$867,735</u>	<u>\$12,054,662</u>
Liabilities					
Accounts Payable	\$54,225	\$0	\$0	\$19,339	\$73,564
Accrued Wages and Benefits Payable	1,284,868	0	0	236,349	1,521,217
Contracts Payable	0	98,497	33,598	0	132,095
Interfund Payable	0	0	0	15,834	15,834
Intergovernmental Payable	367,014	0	0	82,577	449,591
Matured Compensated Absences Payable	169,684	0	0	236	169,920
Retainage Payable	0	8,565	0	0	8,565
Early Retirement Incentive Payable	210,000	0	0	30,000	240,000
Total Liabilities	<u>2,085,791</u>	<u>107,062</u>	<u>33,598</u>	<u>384,335</u>	<u>2,610,786</u>
Deferred Inflows of Resources					
Property Taxes not Levied to Finance Current Year Operations	2,275,879	0	0	41,181	2,317,060
Unavailable Revenue - Revenue in Lieu of Taxes	0	573,500	0	0	573,500
Unavailable Revenue - Delinquent Taxes	337,072	0	0	5,488	342,560
Unavailable Revenue - Grants	0	0	0	9,076	9,076
Total Deferred Inflows of Resources	<u>2,612,951</u>	<u>573,500</u>	<u>0</u>	<u>55,745</u>	<u>3,242,196</u>
Fund Balances					
Restricted	279,156	3,748,783	0	509,412	4,537,351
Assigned	411,671	0	0	0	411,671
Unassigned	1,336,279	0	(1,864)	(81,757)	1,252,658
Total Fund Balances	<u>2,027,106</u>	<u>3,748,783</u>	<u>(1,864)</u>	<u>427,655</u>	<u>6,201,680</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$6,725,848</u>	<u>\$4,429,345</u>	<u>\$31,734</u>	<u>\$867,735</u>	<u>\$12,054,662</u>

Rock Hill Local School District, Ohio
*Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2013*

Total Governmental Fund Balances	\$6,201,680
---	-------------

*Amounts reported for governmental activities in the
statement of net assets are different because*

Capital assets used in governmental activities are not financial resources are not reported in the funds.	34,856,125
--	------------

Other long-term assets are not available to pay for
current-period expenditures and therefore are not
reported in the funds:

Revenue in Lieu of Taxes Receivable	573,500	
Unavailable Revenue - Delinquent Taxes	342,560	
Unavailable Revenue - Grants	9,076	
	925,136	925,136

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds:

Accrued Interest	(6,077)	
General Obligation Notes	(1,100,000)	
Lease-Purchase	(1,500,000)	
Compensated Absences	(1,086,770)	
	(3,692,847)	(3,692,847)

Net Position of Governmental Activities	\$38,290,094
---	--------------

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Permanent Improvements	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,241,999	\$0	\$0	\$41,038	\$2,283,037
Intergovernmental	13,585,371	0	0	2,959,250	16,544,621
Investment Earnings	14,005	0	0	0	14,005
Tuition and Fees	883,285	0	0	0	883,285
Charges for Services	0	0	0	79,493	79,493
Extracurricular	36,666	0	0	50,091	86,757
Payments in Lieu of Taxes	0	573,500	0	0	573,500
Donations	94	0	0	0	94
Miscellaneous	274,340	0	0	3,404	277,744
<i>Total Revenues</i>	<u>17,035,760</u>	<u>573,500</u>	<u>0</u>	<u>3,133,276</u>	<u>20,742,536</u>
Expenditures					
Current:					
Instruction:					
Regular	5,696,981	0	0	1,027,957	6,724,938
Special	1,895,886	0	0	520,701	2,416,587
Vocational	218,106	0	0	0	218,106
Other	1,846,296	0	0	0	1,846,296
Support Services:					
Pupils	613,998	0	0	210,199	824,197
Instructional Staff	357,277	0	0	66,304	423,581
Board of Education	358,646	0	0	0	358,646
Administration	1,158,028	0	0	53,495	1,211,523
Fiscal	350,238	0	0	1,549	351,787
Operation and Maintenance of Plant	1,852,786	197,878	0	324,938	2,375,602
Pupil Transportation	1,141,216	0	0	3,659	1,144,875
Central	132,690	0	0	0	132,690
Operation of Non-Instructional Services:	0	0	0	845,426	845,426
Extracurricular Activities	259,968	0	0	78,369	338,337
Capital Outlay	0	8,565	2,687,891	0	2,696,456
Debt Service:					
Principal	295,000	0	0	0	295,000
Interest	74,646	0	0	0	74,646
<i>Total Expenditures</i>	<u>16,251,762</u>	<u>206,443</u>	<u>2,687,891</u>	<u>3,132,597</u>	<u>22,278,693</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>783,998</u>	<u>367,057</u>	<u>(2,687,891)</u>	<u>679</u>	<u>(1,536,157)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	170,000	170,000
Transfers Out	(170,000)	0	0	0	(170,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(170,000)</u>	<u>0</u>	<u>0</u>	<u>170,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	613,998	367,057	(2,687,891)	170,679	(1,536,157)
<i>Fund Balances at Beginning of Year</i>	<u>1,413,108</u>	<u>3,381,726</u>	<u>2,686,027</u>	<u>256,976</u>	<u>7,737,837</u>
<i>Fund Balances at End of Year</i>	<u>\$2,027,106</u>	<u>\$3,748,783</u>	<u>(\$1,864)</u>	<u>\$427,655</u>	<u>\$6,201,680</u>

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$1,536,157)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period:

Capital Asset Additions	3,161,203	
Depreciation Expense	<u>(2,082,018)</u>	1,079,185

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

Property Taxes	5,350	
Grants	(347,800)	
Revenue in Lieu of Taxes	<u>(573,500)</u>	(915,950)

Long-term debt principal payments are expenditures in the governmental funds, but the principal payment decreases the long-term liabilities on the statement of activities:

Energy Conservation Notes	125,000	
Capital Lease	<u>170,000</u>	295,000

Compensated absences and accrued interest 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.

Increase in Accrued Interest Payable	(6,077)	
Decrease in Compensated Absences	<u>60,948</u>	54,871

Change in Net Position of Governmental Activities (\$1,023,051)

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,343,844	\$2,333,459	\$2,333,459	\$0
Intergovernmental	13,563,874	13,503,774	13,503,774	0
Investment Earnings	13,959	13,897	13,897	0
Tuition and Fees	886,466	882,538	882,538	0
Miscellaneous	820,032	816,399	816,399	0
<i>Total Revenues</i>	17,628,175	17,550,067	17,550,067	0
Expenditures				
Current:				
Instruction:				
Regular	5,637,526	5,575,740	5,575,740	0
Special	1,813,826	1,793,947	1,793,947	0
Vocational	224,314	221,856	221,856	0
Other	1,870,034	1,849,539	1,849,539	0
Support Services:				
Pupils	555,444	549,356	549,356	0
Instructional Staff	363,959	359,970	359,970	0
Board of Education	384,742	380,525	380,525	0
Administration	1,114,056	1,101,846	1,101,846	0
Fiscal	374,870	370,762	370,762	0
Operation and Maintenance of Plant	2,421,453	2,394,915	2,394,915	0
Pupil Transportation	1,208,013	1,194,774	1,194,774	0
Central	103,206	102,075	102,075	0
Extracurricular Activities	250,053	247,312	247,312	0
Debt Service:				
Principal	334,967	331,296	331,296	
Interest	38,775	38,350	38,350	0
<i>Total Expenditures</i>	16,695,238	16,512,263	16,512,263	0
<i>Excess of Revenues Over Expenditures</i>	932,937	1,037,804	1,037,804	0
Other Financing Sources (Uses)				
Transfers In	0	53,126	53,126	0
Transfers Out	0	(796,626)	(796,626)	0
Advances In	0	256,559	256,559	
Advances Out	0	(5,103)	(5,103)	0
<i>Total Other Financing Sources (Uses)</i>	0	(492,044)	(492,044)	0
<i>Net Change in Fund Balance</i>	932,937	545,760	545,760	0
<i>Fund Balance at Beginning of Year</i>	2,401,071	2,401,071	2,401,071	0
Prior Year Encumbrances Appropriated	240,900	240,900	240,900	0
<i>Fund Balance at End of Year</i>	\$3,574,908	\$3,187,731	\$3,187,731	\$0

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2013

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$69,609</u></u>
--	------------------------

Liabilities

Due to Students	<u><u>\$69,609</u></u>
-----------------	------------------------

See accompanying notes to the basic financial statements

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Rock Hill Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as authorized by State statute and federal guidelines. This Board of Education controls the School District's four instructional/support facilities staffed by 77 classified employees and 128 certified teaching and administrative personnel who provide services to 1,536 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in the South Central Ohio Computer Association Council of Governments and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program and the Lawrence County Schools Council of Governments Health Benefits Program, which are defined as insurance purchasing pools. These organizations are presented in Notes 17 and 18 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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; grants 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 School 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 School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds utilized by the School District: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the 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 plus deferred inflow of resources is reported as fund balance. The following are the School District's major governmental funds:

General Fund The General Fund accounts for and reports all financial resources except those accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

Classroom Facilities Capital Projects Fund The Classroom Facilities Capital Projects Fund accounts for grant and debt proceeds used for the renovation and reconstruction of the School District's school facilities.

Permanent Improvements Capital Projects Fund The Permanent Improvements Capital Projects Fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

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

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, all liabilities and deferred inflows/outflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities accounts for increases (revenues) and decreases (expenses) in total net position.

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, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

D. 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. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, 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. Measurable means the amount of the transaction can be determined. 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 School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include 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 (See Note 7). 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 fiscal year end: property taxes available as an advance, payment in lieu of taxes revenue, investment earnings, tuition, grants, and student fees.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Deferred Inflows of Resources As more fully described in Note 22 to the basic financial statements, the School District has implemented both GASB Statement No. 63 and GASB Statement No. 65, effective for fiscal year 2013. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District did not record a deferred outflow of resources as of June 30, 2013. The School District reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes, revenue in lieu of taxes, and grants which are not collected in the available period. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes, revenue in lieu of taxes, and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$14,005.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses in the amount of \$154,238 and amounts required by State statute to be set-aside by the School District for budget stabilization in the amount of \$124,918. See Note 20 for additional information regarding set-asides.

G. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School 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.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful life of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	5-8 years

H. Internal Activity

Transfers within governmental activities are eliminated on the government-wide statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used aren't eliminated.

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.

I. 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 School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after ten years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Long-term notes and capital leases are recognized as a liability on the governmental fund financial statements when due.

K. Fund Balance

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

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

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

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

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

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report deficit balances.

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

L. Interfund Balances

Interfund receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Estimates

The preparation of the 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.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net position restricted for other purposes include resources restricted for food service operations and federal and state grants restricted for specific purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

O. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object levels.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the 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 in the amended certificate in effect when final appropriations for the fiscal year were passed. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue equaled actual revenue.

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

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 3 – ACCOUNTABILITY

At June 30, 2013, the Food Service and Classroom Facilities Funds, had deficit fund balances of \$81,757 and \$1,864 respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School 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 Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) 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 (budget basis) rather than committed or assigned fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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	
GAAP Basis	\$613,998
Revenue Accruals	823,992
Expenditure Accruals	(462,251)
Encumbrances	(428,774)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(1,205)</u>
Budget Basis	<u><u>\$545,760</u></u>

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 5 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Permanent Improvements Fund	Classroom Facilities Fund	Other Governmental Funds	Total
Restricted for:					
Budget Stabilization	\$124,918	\$0	\$0	\$0	\$124,918
Bus Purchases	154,238	0	0	0	154,238
Race to the Top	0	0	0	194,497	194,497
Other Purposes	0	0	0	51,260	51,260
Capital Improvements	0	3,748,783	0	261,705	4,010,488
Debt Service	0	0	0	1,950	1,950
<i>Total Restricted</i>	<u>279,156</u>	<u>3,748,783</u>	<u>0</u>	<u>509,412</u>	<u>4,537,351</u>
Assigned to:					
Other Purposes	411,671	0	0	0	411,671
Unassigned:	<u>1,336,279</u>	<u>0</u>	<u>(1,864)</u>	<u>(81,757)</u>	<u>1,252,658</u>
<i>Total Fund Balances</i>	<u>\$2,027,106</u>	<u>\$3,748,783</u>	<u>(\$1,864)</u>	<u>\$427,655</u>	<u>\$6,201,680</u>

NOTE 6 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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. Investments may only be made through specified dealers and institutions.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance of \$8,628,908 was insured and collateralized.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2013, the School District had no investments.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lawrence County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 7 - PROPERTY TAXES (Continued)

Accrued property taxes receivable includes real and public utility taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2013, was \$116,776 in the General Fund and \$5,488 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2012, was \$208,236 in the General Fund and \$3,210 in the Classroom Facilities Maintenance Special Revenue Fund.

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 is recorded as deferred inflows of resources.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
Agricultural/Residential	\$82,714,840	67.28%	\$83,484,390	67.15%
Commercial/Industrial and Public Utility Real	7,053,500	5.74%	6,798,840	5.47%
Public Utility Personal	33,167,450	26.98%	34,036,920	27.38%
Total	\$122,935,790	100.00%	\$124,320,150	100.00%
Tax Rate per \$1,000 of Assessed Valuation	\$23.00		\$23.00	

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 8 - RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes, accounts (rents, student fees, and tuition), interfund, intergovernmental receivables arising from grants and entitlements, and revenue in lieu of taxes. 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 fiscal year guarantee of federal funds. The amount representing revenue in lieu of taxes receivable, not scheduled for collection during the subsequent fiscal year, is \$573,500. All other receivables, except delinquent property taxes, are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Major Fund:	
General Fund	\$122,490
Nonmajor Special Revenue Funds:	
Food Service	1,237
Public Preschool	28,375
Title VI-B	55,310
Title I	125,023
Title VI-R	30,248
Miscellaneous	6,756
Total Nonmajor Special Revenue Funds	246,949
Total Governmental Activities	\$369,439

NOTE 9 – REVENUE IN LIEU OF TAXES

As provided by State law, the School District has entered into an agreement with a property owner under which real and tangible personal property tax abatements were granted to the property owner. The property owner has agreed to make payments to the School District which reflect all or a portion of the real and tangible personal property taxes which the property owner would have paid if the taxes had not been abated. There is no provision within the agreement which would allow the property owner to reduce payments to the School District due to the changing personal property tax system. The agreement provided for a total payout of \$9,635,000 over a 12 year period ending in fiscal year 2014. The School District received \$573,500 in revenue in lieu of taxes for fiscal year 2013. Based upon scheduled payments in this agreement, a receivable and unavailable revenue has been recorded in the Permanent Improvement Fund.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Deductions	Balance at 6/30/13
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$817,657	\$0	\$0	\$817,657
Construction in Progress	671,973	2,794,953	0	3,466,926
Total Capital Assets not being Depreciated	<u>1,489,630</u>	<u>2,794,953</u>	<u>0</u>	<u>4,284,583</u>
Depreciable Capital Assets:				
Land Improvements	12,374,867	24,462	0	12,399,329
Buildings and Improvements	38,275,344	294,850	(185,492)	38,384,702
Furniture, Fixtures, and Equipment	1,991,106	46,938	0	2,038,044
Vehicles	2,121,899	0	0	2,121,899
Total Depreciable Capital Assets	<u>54,763,216</u>	<u>366,250</u>	<u>(185,492)</u>	<u>54,943,974</u>
Less Accumulated Depreciation:				
Land Improvements	(5,534,560)	(607,096)	0	(6,141,656)
Buildings and Improvements	(14,051,162)	(1,248,343)	185,492	(15,114,013)
Furniture, Fixtures, and Equipment	(1,197,561)	(128,187)	0	(1,325,748)
Vehicles	(1,692,623)	(98,392)	0	(1,791,015)
Total Accumulated Depreciation	<u>(22,475,906)</u>	<u>(2,082,018) *</u>	<u>185,492</u>	<u>(24,372,432)</u>
Total Capital Assets being Depreciated, Net	<u>32,287,310</u>	<u>(1,715,768)</u>	<u>0</u>	<u>30,571,542</u>
Capital Assets, Net	<u>\$33,776,940</u>	<u>\$1,079,185</u>	<u>\$0</u>	<u>\$34,856,125</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$692,416
Special	297,305
Vocational	23,559
Support Services:	
Pupils	54,749
Instructional Staff	46,952
Administration	101,701
Fiscal	23,343
Operation and Maintenance of Plant	174,630
Pupil Transportation	279,884
Operation of Non-Instructional Services	115,649
Extracurricular Activities	271,830
Total Depreciation Expense	<u>\$2,082,018</u>

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 11 – INTERFUND ACTIVITY

A. Transfers

For the fiscal year ended June 30, 2013, transfers in and out that resulted from various interfund transactions were as follows:

	Transfer To	Transfer From
General Fund	\$0	\$170,000
Other Governmental Funds:		
Food Service	150,000	0
Athletics	20,000	0
Total Other Governmental Funds	170,000	0
Total All Funds	\$170,000	\$170,000

The General Fund transferred monies to the Food Service and Athletics Funds to subsidize these funds.

B. Interfund Balances

Interfund balances at June 30, 2013, arise from the provision of cash flow resources from the General Fund until the receipt of grant monies by the Special Revenue Funds.

	Interfund Receivables	Interfund Payables
General Fund	\$15,834	\$0
Other Governmental Funds:		
Race to the Top	0	7,540
Improving Teacher Quality	0	5,103
Miscellaneous Federal Grants	0	3,191
Total Other Governmental Funds	0	15,834
Total All Funds	\$15,834	\$15,834

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 12 – RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2013, the School District contracted with The Netherlands Insurance Company for the following coverage:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$59,476,161
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	2,000,000
Sexual Abuse	0	1,000,000
Products - Completed Operations Aggregate Limit	0	2,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Fire Damage Limit - Any One Event	0	500,000
Medical Expense:		
Any One Person	0	15,000
Any One Accident	0	15,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Employee Benefits Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Hazardous Substances	0	25,000
CFC Refrigeration	0	100,000
Spoilage	0	25,000
Vehicles:		
Bodily Injury:		
Per Person	0	1,000,000
Per Accident	0	1,000,000
Property Damage	0	1,000,000
Uninsured Motorist:		
Per Person	100	1,000,000
Per Accident	100	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2012.

NOTE 12 – RISK MANAGEMENT (Continued)

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 13 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer 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 visiting the SERS website at www.ohsers.org under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS; Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$295,919, \$274,766, and \$266,235, respectively; 56 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. \$121,606 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

NOTE 13 -DEFINED BENEFIT PENSION PLANS (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 13 -DEFINED BENEFIT PENSION PLANS (Continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2013, 2012, and 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$963,640, \$945,175, and \$1,085,658, respectively; 82 percent of the required contribution has been made for fiscal year 2013 and 100 percent of the required contribution has been made for fiscal years 2012 and 2011. \$176,039 represents the unpaid contribution for fiscal year 2013 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Retirement System. As of June 30, 2013, no members of the Board of Education had elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 14 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2013, 2012, and 2011, the actuarially required allocations were 0.74 percent, 0.75 percent, and 0.76 percent. For the School District, contributions for the years ended June 30, 2013, 2012, and 2011, were \$20,501, \$15,547, and \$18,394, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 14 – POSTEMPLOYMENT BENEFITS (Continued)

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2013, 2012, and 2011, the health care allocations were 0.16 percent, 0.55 percent, and 1.43 percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2013, 2012, and 2011 fiscal years equaled \$38,339, \$50,777 and \$67,452, respectively, which equaled the required contributions for those years.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

B. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012 and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$71,763, \$72,706, and \$82,856, respectively.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 15 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days vacation per fiscal year, depending upon length of service, and can accumulate up to a maximum of three years accrual. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Certified employees can accumulate sick leave to a maximum of 285 days, classified employees can accumulate sick leave to a maximum of 276 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave to a maximum of 60 days.

B. Insurance Benefits

Health insurance is provided by Athem Blue Cross and Blue Shield. Monthly premiums for this coverage are \$1,589 for family plans and \$643 for single plans. The School District pays 85% of these premiums for certificated employees and 90% for classified employees.

The School District provides life insurance and accidental death and dismemberment insurance to all employees through Guardian Life Insurance in the amount of \$50,000.

NOTE 16 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Outstanding 6/30/12	Additions	Deductions	Outstanding 6/30/13	Due in One Year
Governmental Activities:					
HB 264 Energy Conservation - 2.95%:					
General Obligations Notes	\$1,225,000	\$0	\$125,000	\$1,100,000	\$110,000
Lease - Purchase Agreement	1,670,000	0	170,000	1,500,000	150,000
Compensated Absences	1,147,718	1,140,995	1,201,943	1,086,770	126,668
Total Governmental Activities	<u>\$4,042,718</u>	<u>\$1,140,995</u>	<u>\$1,496,943</u>	<u>\$3,686,770</u>	<u>\$386,668</u>

House Bill 264 Energy Conservation Obligations On June 28, 2012, the School District issued \$1,225,000 in General Obligation Notes and entered into a \$1,670,000 Lease-Purchase Agreement for the purpose of improving and reducing energy consumption in each of the School District’s instructional facilities. These obligations were issued through general obligation notes and a series of lease agreements and trust indentures in accordance with Section 3313.375 of the Ohio Revised Code.

In accordance with the lease terms, the project assets are leased to Capital One Public Funding, and then subleased back to the School District. The lease-purchase agreement was issued through a series of annual leases with an initial lease term of ten years which includes the right renew for ten successive one-year terms through December 1, 2021, subject to annual appropriations. To satisfy the trustee requirements, the School District is required to make annual base rent payments, subject to the lease terms and appropriations, semi-annually. The base rent includes an interest component of 2.95 percent. The lease payments are being made from the General Fund.

Annual base rent requirements to retire the House Bill 264 Energy Conservation Notes and the Lease-Purchase Agreement outstanding at June 30, 2013, are as follows:

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 16 - LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total Payment
2014	\$260,000	\$72,865	\$332,865
2015	265,000	65,121	330,121
2016	275,000	57,156	332,156
2017	280,000	48,970	328,970
2018	285,000	40,636	325,636
2019-2022	<u>1,235,000</u>	<u>74,120</u>	<u>1,309,120</u>
Total	<u>\$2,600,000</u>	<u>\$358,868</u>	<u>\$2,958,868</u>

The compensated absences payable will be paid from the fund from which the employees' salaries are paid, which includes the General Fund, and the Food Service, Title VI-B, Title I, and the Title II-A Special Revenue Funds.

The School District's overall legal debt margin was \$13,790,764, with an unvoted debt margin of \$2,724,320 at June 30, 2013.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association Council of Governments

The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 58 public education entities, 58 non-public education entities, and public libraries from 24 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each of the eleven participating counties, two school treasurers, and a representative for the fiscal agent. SCOCA COG is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid SCOCA COG \$155,146 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Career Technology Center, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of 136 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$505 for fiscal year 2013. The financial information for the Coalition can be obtained from the Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

NOTE 18 – INSURANCE PURCHASING POOLS

A. Ohio School Boards Association Workers’ Compensation Group Rating Program

The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Lawrence County Schools Council of Governments Health Benefits Program

The School District participates in the Lawrence County Schools Council of Governments Health Benefits Program (Council), a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by a Board of Directors, which consists of the superintendent from each participating school district. The council elects officers for one-year terms to serve on the Board of Directors. The Board of Directors exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. The Lawrence County Educational Service Center is the fiscal agent of the council.

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

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

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 20 – SET ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior fiscal years, the School District was also required to set aside money for budget stabilization and textbooks.

The following cash basis information describes the changes in the fiscal year end set-aside amounts for capital acquisitions and budget stabilization. Disclosure of this information is required by the State statute.

	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of as of June 30, 2012	\$0	\$124,918
Current Year Set-Aside Requirement	243,514	0
Current Year Offsets	(123,746)	0
Offsets- Payment in Lieu of Tax	(573,500)	0
Qualifying Expenditures	(62,784)	0
Totals	(\$516,516)	\$124,918
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0	\$124,918
Set-Aside Reserve Balance as of June 30, 2013	\$0	\$124,918

The School District had qualifying expenditures and offsets during the fiscal year that reduced the capital improvements set-aside amount below zero. This extra amount represents excess qualifying disbursements and may not be carried forward.

NOTE 21 – CONTRACTUAL COMMITMENTS

As of June 30, 2013, the School District’s contractual purchase commitments for the Energy Conservation Improvement Project are as follows:

Project	Vendor	Contract Amount	Amount Expended	Balance at 06/30/13
Energy Conservation	Limbach Company	\$3,359,867	\$3,326,269	\$33,598
Track Resurfacing	VASCO Sports Contractor	197,967	-	197,967

NOTE 22 – CHANGE IN ACCOUNTING PRINCIPLES

For 2013 the School District implemented GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Rock Hill Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

NOTE 22 – CHANGE IN ACCOUNTING PRINCIPLES (Continued)

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 62 had no effect on the financial statements.

The implementation of GASB Statements No. 63 and 65 had no effect on the beginning of year fund balance/net position; however, GASB Statements No. 63 and 65 did result in certain financial reporting changes for 2013.

Rock Hill Local School District
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 183,097	\$ -	\$ 183,097	\$ -
National School Lunch Program	3L60	10.555	326,019	77,424	326,019	77,424
Total - Nutrition Cluster			509,116	77,424	509,116	77,424
Total United States Department of Agriculture			509,116	77,424	509,116	77,424
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Special Education - Grants to States	3M20	84.027	568,520	-	466,521	-
Title I Grants to Local Educational Agencies	3M00	84.010	1,051,144	-	1,065,327	-
Education Jobs Fund	3ET0	84.410	299,354	-	137,418	-
ARRA - State Fiscal Stabilization Funds (SFSF) -Race-to-the-Top Incentive Grants	3FD0	84.395	334,761	-	162,332	-
Rural Education	3Y80	84.358	44,368	-	33,380	-
Educational Technology State Grants	3S20	84.318	-	-	6,276	-
Improving Teacher Quality State Grants	3Y60	84.367	107,570	-	114,912	-
Total United States Department of Education			2,405,717	-	1,986,166	-
Total Federal Financial Assistance			\$ 2,914,833	\$ 77,424	\$ 2,495,282	\$ 77,424

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

Rock Hill Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTIONS

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

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



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Rock Hill Local School District
2325A County Road 26
Ironton, Ohio 45638

Members of the Board of Education

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Rock Hill Local School District, Lawrence County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2013, wherein we noted the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, and GASB Statement No. 65.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 27, 2013



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Rock Hill Local School District
2325A County Road 26
Ironton, Ohio 45638

Members of the Board of Education

Report on Compliance for Each Major Federal Program

We have audited Rock Hill Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Rock Hill Local School District's major federal programs for the year ended June 30, 2013. The Summary of Audit Results in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Rock Hill Local School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 27, 2013

Rock Hill Local School District
 Schedule of Findings
OMB Circular A-133 Section §.505
 June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States; CFDA# 84.027 Title I Grants to Local Educational Agencies; CFDA# 84.010 ARRA – State Fiscal Stabilization Funds (SFSF) – Race-to-the-Top Incentive Grants; CFDA# 84.395
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Rock Hill Local School District
Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2013

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

Finding Number 2013-01

Material Weakness

The District has a capital asset policy that states the asset threshold, classifications, cost basis, disposal procedures, reporting protocol, and standing data requirement for all capital assets. However, the District's policy does not state the useful life of each of the capital asset classifications. In addition, Valuation Engineers have not appraised the capital assets in several years and the District does not have any tracking system in place for their capital assets.

The District's capital asset policy should include the useful lives of each of the capital asset classifications. A capital asset recording system should be implemented to ensure the existence, proper recording and stating of capital assets. The effect could cause capital assets to be misstated.

The District should revise its capital asset policy to include the useful lives of each capital asset classification. In addition, we recommend the District contact the Valuation Engineers to perform an appraisal of capital assets on an annual basis or implement a capital asset system to ensure capital assets are properly stated.

Client Response

The District will modify its fixed asset policy to include the useful life of items within a fixed asset classification. The District will also attempt to have its fixed assets loaded on the state software system.

3. FINDINGS FOR FEDERAL AWARDS

None Noted

Rock Hill Local School District
 Schedule of Prior Audit Findings
OMB Circular A-133 § .315 (b)
 June 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Material Weakness – Capital Assets Policy	No	Re-issued 2013-01
2012-002	Material Weakness – Adjustments/Financial Reporting	Yes	Corrected



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report on Applying Agreed Upon Procedures

Rock Hill Local School District
2325A County Road 26
Ironton, Ohio 45638

Members of the Board of Education:

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

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

1. In our report dated February 27, 2013, we noted the Board adopted an anti-harassment policy on September 28, 2010. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on March 21, 2013. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 27, 2013

This page intentionally left blank.



Dave Yost • Auditor of State

ROCK HILL LOCAL SCHOOL DISTRICT

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 18, 2014**