

Rock Hill Local School District

Lawrence County

Single Audit

July 1, 2003 Through June 30, 2004

Fiscal Year Audited Under GAGAS: 2004

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Board of Education  
Rock Hill Local School District  
2325A County Road 26  
Ironton, Ohio 45638-8386

We have reviewed the *Independent Auditor's Report* of the Rock Hill Local School District, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period July 1, 2003 through June 30, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

June 8, 2005

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**Rock Hill Local School District**

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock Hill Local School District (the District), Lawrence County, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2004, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 25, 2005



# Rock Hill Local School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

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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, 2004. 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

### **Key financial highlights for the fiscal year 2004 are as follows:**

- Net assets of governmental activities decreased \$797,683.
- General revenues accounted for \$12,499,149 in revenue or 75 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$4,125,983, 25 percent of total revenues of \$16,625,132.
- Total assets of governmental activities decreased \$1,082,525 primarily due to reductions in cash and cash equivalents precipitated by the completion of the School District's Classroom Facilities projects.
- The School District had \$17,422,815 in expenses related to governmental activities; only \$4,125,983 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues of \$12,499,149 could not provide for the remaining activities.
- The School District has three major funds; the General Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvements Capital Projects Fund. The General Fund had \$13,174,598 in revenues and \$13,846,875 in expenditures. The General Fund's balance decreased \$3,202,277. The Bond Retirement Debt Service Fund had \$0 in revenues and \$274,498 in expenditures. The Bond Retirement Debt Service Fund's balance decreased \$224,498. The Permanent Improvements Capital Projects Fund had \$50,000 in revenues and \$383,070 in expenditures. The Permanent Improvements Capital Projects Fund's balance increased \$1,666,930.

## **USING THIS ANNUAL FINANCIAL REPORT**

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 Assets and 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.

# Rock Hill Local School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

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## **Reporting the School District as a Whole**

### *Statement of Net Assets 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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets 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 Assets 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 8. Fund financial reports 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 Bond Retirement Debt Service Fund, and the Permanent Improvements Capital Projects Fund.

**Governmental Funds** Most 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 readily be 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets for 2004 compared to 2003.

**Rock Hill Local School District, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2004*

*Unaudited*

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**Table I**  
**Net Assets**

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Current and Other Assets	\$23,201,016	\$25,336,844
Capital Assets	43,894,936	42,841,633
Total Assets	<u>67,095,952</u>	<u>68,178,477</u>
<b>Liabilities</b>		
Long-Term Liabilities	4,220,037	4,243,082
Other Liabilities	9,946,463	10,208,260
Total Liabilities	<u>14,166,500</u>	<u>14,451,342</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	40,574,936	39,399,949
Restricted	9,139,051	8,647,788
Unrestricted	<u>3,215,465</u>	<u>5,679,398</u>
Total Net Assets	<u>\$52,929,452</u>	<u>\$53,727,135</u>

Total assets decreased \$1,082,525. This was due to decreases in cash and cash equivalents brought about by the completion of the School District's Classroom Facilities construction projects.

Total liabilities decreased \$284,842. This decrease is due to the completion of the School Districts Classroom Facilities construction projects and the corresponding decreases in both contracts and retainage payables.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004, and comparisons to fiscal year 2003.

**Rock Hill Local School District, Ohio***Management's Discussion and Analysis**For the Fiscal Year Ended June 30, 2004**Unaudited***Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2004	2003
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$335,810	\$314,203
Operating Grants, Contributions and Interest	3,695,446	3,532,251
Capital Grants and Contributions	94,727	94,607
Total Program Revenues	4,125,983	3,941,061
General Revenues		
Property Taxes	1,834,521	1,829,924
Grants and Entitlements	10,098,928	9,827,774
Investment Earnings	199,757	439,988
Payments in Lieu of Taxes	50,000	3,800,000
Miscellaneous	65,943	215,847
Gain on Sale of Capital Assets	250,000	184,160
Total General Revenues	12,499,149	16,297,693
Total Revenues	16,625,132	20,238,754
<b>Program Expenses</b>		
Instruction:		
Regular	7,484,796	6,498,185
Special	1,926,844	2,281,774
Vocational	246,348	248,860
Adult/Continuing	353	0
Support Services:		
Pupils	415,596	394,591
Instructional Staff	457,515	470,119
Board of Education	256,115	288,188
Administration	1,000,919	862,473
Fiscal	306,003	248,158
Operation and Maintenance of Plant	2,454,970	2,619,072
Pupil Transportation	1,405,952	968,183
Central	36,301	36,822
Operation of Non-Instructional Services:		
Food Service Operations	892,389	837,187
Community Services	9,056	0
Extracurricular Activities	363,468	409,418
Interest and Fiscal Charges	166,190	168,458
Total Expenses	17,422,815	16,331,488
Increase (Decrease) in Net Assets	(797,683)	3,907,266
Net Assets Beginning of Year	53,727,135	49,819,869
Net Assets End of Year	\$ 52,929,452	\$ 53,727,135

While the District was able to maintain a stable financial position from fiscal year 1994 through fiscal year 2003, the economic pressures of academic requirements has outpaced available resources.

## Rock Hill Local School District, Ohio

### *Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2004*

*Unaudited*

The passage of House Bill 95 has had a detrimental affect on the School District. While the District operates a very tight budget, revenue sources did not keep pace with expenses in fiscal year 2004. In addition, the passage of any future levies would cause the District to lose State funding through GAP Aid.

Net assets of the School District's governmental activities decreased by \$797,683 in fiscal year 2004. Program revenues of \$4,125,983 and general revenue of \$12,499,149 did not offset total governmental expenses of \$17,422,815. Program revenues supported 25 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 95 percent of total governmental revenue. Grants and entitlements, alone, represent 84 percent of revenues. Interest income, payments in lieu of taxes, miscellaneous revenue, charges for services and a gain on sale of capital assets account for the remaining 5 percent. It should be noted that the decrease in payments in lieu of taxes revenue is due to the initial payment of \$3,700,000 being made in fiscal year 2003. The payment schedule calls for payments ranging from \$50,000 to \$500,000 being made through 2014.

Instruction comprises approximately 56 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 36 percent. The remaining 8 percent of program expenses is used for other obligations of the School District such as non-instructional service, food service operations, extracurricular activities, and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings 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 entitlements.

**Table 3**  
**Governmental Activities**

	2004 Total Cost of Services	2004 Net Cost of Services	2003 Total Cost of Services	2003 Net Cost of Services
<b>Program Expenses</b>				
<b>Instruction:</b>				
Regular	\$7,484,796	\$5,425,833	\$6,498,185	\$4,524,434
Special	1,926,844	935,128	2,281,774	1,238,889
Vocational	246,348	187,235	248,860	248,860
Adult/Continuing	353	353	0	0
<b>Support Services:</b>				
Pupil	415,596	375,775	394,591	361,671
Instructional Staff	457,515	348,828	470,119	385,467
Board of Education	256,115	254,735	288,188	288,188
Administration	1,000,919	1,000,919	862,473	861,375
Fiscal	306,003	306,003	248,158	248,078
Operation and Maintenance of Plant	2,454,970	2,354,917	2,619,072	2,595,218
Pupil Transportation	1,405,952	1,253,061	968,183	827,661
Central	36,301	29,203	36,822	29,371
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	892,389	356,735	837,187	255,775
Community Services	9,056	(548)	0	0
Extracurricular Activities	363,468	302,465	409,418	356,982
Interest and Fiscal Charges	166,190	166,190	168,458	168,458
<b>Totals</b>	<b>\$17,422,815</b>	<b>\$13,296,832</b>	<b>\$16,331,488</b>	<b>\$12,390,427</b>

**Rock Hill Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 32 percent of instruction activities are supported through taxes and other general revenues.

**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 \$16,541,083 and expenditures of \$18,416,792.

***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 2004, the School District amended its general fund appropriations. 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, final budget basis revenue was \$13,220,864, below original estimates of \$13,639,472. This \$418,608 difference, was due to deflated intergovernmental estimates, based on the State's budget reduction.

The School District's ending unobligated general fund balance was \$5,200,267.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

At the end of fiscal year 2004, the School District had \$43,894,936 invested in construction in progress, land and land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

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

	<u>Government Activities</u>	
	<u>2004</u>	<u>2003</u>
Land and Land Improvements	\$7,907,424	\$8,089,724
Buildings and Improvements	33,852,413	32,929,941
Furniture and Equipment	791,201	619,676
Vehicles	605,904	599,853
Construction in Progress	737,994	602,439
<b>Totals</b>	<u>\$43,894,936</u>	<u>\$42,841,633</u>

For addition information on capital assets, see note 10 to the basic financial statements.

***Debt***

At June 30, 2004, the School District had general obligation bonds outstanding of \$3,320,000 issued for the District's classroom facilities project. For additional information on debt, see note 14 to the basic financial statements.

# **Rock Hill Local School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

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## **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 heavily on local property taxes and State subsidies to fund its operations. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes or State subsidies. 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 (nearly 84 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 seen a slight decline in student enrollment in recent years and while State revenue growth has shifted toward school districts with low property tax wealth, declining enrollment has served to somewhat offset any increase in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenditures, much of the positive impact has been offset by other negative financial factors that occurred in the past year (decreasing enrollment, lower interest earnings, higher insurance costs, and State budget cuts in education). In the long run, the fact is 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 revenues (passing levies) or decreasing its expenditures (making budget cuts).

As the preceding information shows, the School District depends upon its taxpayers. Although the Rock Hill Local School District has tightened spending to better bring expenditures in line with revenues, and carefully watched financial planning, this must continue 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 citizens, 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 about this report or need additional financial 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 Assets*

*June 30, 2004*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,587,153
Cash and Cash Equivalents in Segregated Accounts	60,410
Equity in Restricted Pooled Cash and Cash Equivalents	1,222,668
Property Taxes Receivable	1,877,182
Accounts Receivable	209
Intergovernmental Receivable	288,652
Accrued Interest Receivable	9,585
Prepaid Items	163,210
Materials and Supplies Inventory	6,947
Revenue in Lieu of Taxes Receivable	5,785,000
Notes Receivable	200,000
Nondepreciable Capital Assets	1,555,651
Depreciable Capital Assets, Net	<u>42,339,285</u>
<i>Total Assets</i>	<u>67,095,952</u>
<b>Liabilities</b>	
Accounts Payable	60,304
Accrued Wages and Benefits Payable	1,643,004
Contracts Payable	125,436
Intergovernmental Payable	520,201
Accrued Interest Payable	13,376
Matured Compensated Absences Payable	23,799
Retainage Payable	173,130
Deferred Revenue	7,387,213
Long-Term Liabilities:	
Due within One Year	172,902
Due in More than One Year	<u>4,047,135</u>
<i>Total Liabilities</i>	<u>14,166,500</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	40,574,936
Restricted for:	
Textbooks	295,904
Bus Purchases	628,716
Budget Stabilization	124,918
Other Purposes	501,004
Debt Service	3,570,209
Capital Projects	4,018,300
Unrestricted	<u>3,215,465</u>
<i>Total Net Assets</i>	<u><u>\$52,929,452</u></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, 2004

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Interest			Governmental Activities
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$7,484,796	\$103,206	\$1,906,532	\$49,225	(\$5,425,833)	
Special	1,926,844	0	991,716	0	(935,128)	
Vocational	246,348	0	59,113	0	(187,235)	
Adult/Continuing	353	0	0	0	(353)	
Support Services:						
Pupils	415,596	0	39,821	0	(375,775)	
Instructional Staff	457,515	0	108,687	0	(348,828)	
Board of Education	256,115	1,380	0	0	(254,735)	
Administration	1,000,919	0	0	0	(1,000,919)	
Fiscal	306,003	0	0	0	(306,003)	
Operation and Maintenance of Plant	2,454,970	36,060	57,247	6,746	(2,354,917)	
Pupil Transportation	1,405,952	69,851	44,284	38,756	(1,253,061)	
Central	36,301	0	7,098	0	(29,203)	
Operation of Non-Instructional Services:						
Food Service Operations	892,389	62,903	472,751	0	(356,735)	
Community Services	9,056	1,407	8,197	0	548	
Extracurricular Activities	363,468	61,003	0	0	(302,465)	
Interest and Fiscal Charges	166,190	0	0	0	(166,190)	
<b>Totals</b>	<b>\$17,422,815</b>	<b>\$335,810</b>	<b>\$3,695,446</b>	<b>\$94,727</b>	<b>(13,296,832)</b>	
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes					1,794,430	
Other Purposes					40,091	
Grants and Entitlements not Restricted to Specific Programs					10,098,928	
Investment Earnings					199,757	
Payment in Lieu of Taxes					50,000	
Miscellaneous					65,943	
Gain on Sale of Capital Assets					250,000	
<b>Total General Revenues</b>					<b>12,499,149</b>	
<b>Change in Net Assets</b>					<b>(797,683)</b>	
<b>Net Assets at Beginning of Year</b>					<b>53,727,135</b>	
<b>Net Assets at End of Year</b>					<b>\$52,929,452</b>	

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2004*

	General	Bond Retirement	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$5,320,426	\$3,383,585	\$3,937,090	\$946,052	\$13,587,153
Cash and Cash Equivalents in Segregated Accounts	0	0	0	60,410	60,410
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	1,160,941	0	13,864	47,863	1,222,668
Receivables:					
Taxes	1,836,060	0	0	41,122	1,877,182
Accounts	69	0	0	140	209
Intergovernmental	23,426	0	0	265,226	288,652
Accrued Interest	9,585	0	0	0	9,585
Notes	0	200,000	0	0	200,000
Revenue in Lieu of Taxes Receivable	0	0	5,785,000	0	5,785,000
Due from Other Funds	1,260	0	0	0	1,260
Materials and Supplies Inventory	0	0	0	6,947	6,947
Prepaid Items	120,130	0	0	43,080	163,210
<b>Total Assets</b>	<b><u>\$8,471,897</u></b>	<b><u>\$3,583,585</u></b>	<b><u>\$9,735,954</u></b>	<b><u>\$1,410,840</u></b>	<b><u>\$23,202,276</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$58,184	\$0	\$0	\$2,120	\$60,304
Accrued Wages and Benefits Payable	1,254,330	0	0	388,674	1,643,004
Contracts Payable	125,436	0	0	0	125,436
Intergovernmental Payable	279,523	0	0	62,357	341,880
Due to Other Funds	0	0	0	1,260	1,260
Retainage Payable	111,403	0	13,864	47,863	173,130
Matured Compensated Absences	12,027	0	0	11,772	23,799
Deferred Revenue	1,816,853	200,000	5,785,000	216,634	8,018,487
<b>Total Liabilities</b>	<b><u>3,657,756</u></b>	<b><u>200,000</u></b>	<b><u>5,798,864</u></b>	<b><u>730,680</u></b>	<b><u>10,387,300</u></b>
<b>Fund Balances</b>					
Reserved for Encumbrances	86,812	0	708,433	490,817	1,286,062
Reserved for Property Taxes	19,207	0	0	429	19,636
Reserved for Textbooks	295,904	0	0	0	295,904
Reserved for Bus Purchases	628,716	0	0	0	628,716
Reserved for Budget Stabilization	124,918	0	0	0	124,918
Unreserved, Undesignated, Reported in:					
General Fund	3,658,584	0	0	0	3,658,584
Special Revenue Funds	0	0	0	541,011	541,011
Debt Service	0	3,383,585	0	0	3,383,585
Capital Project Funds (Deficit)	0	0	3,228,657	(352,097)	2,876,560
<b>Total Fund Balances</b>	<b><u>4,814,141</u></b>	<b><u>3,383,585</u></b>	<b><u>3,937,090</u></b>	<b><u>680,160</u></b>	<b><u>12,814,976</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$8,471,897</u></b>	<b><u>\$3,583,585</u></b>	<b><u>\$9,735,954</u></b>	<b><u>\$1,410,840</u></b>	<b><u>\$23,202,276</u></b>

See accompanying notes to the basic financial statements

**Rock Hill Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2004*

<b>Total Governmental Fund Balances</b>		\$12,814,976
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds		43,894,936
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Property Taxes	255,333	
Notes	200,000	
Grants	175,941	631,274
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(178,321)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Construction Bonds	(3,320,000)	
Accrued Interest Payable	(13,376)	
Compensated Absences Payable	(900,037)	(4,233,413)
Net Assets of Governmental Activities		\$52,929,452

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, 2004*

	General	Bond Retirement	Permanent Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$1,815,847	\$0	\$0	\$40,586	\$1,856,433
Intergovernmental	10,959,416	0	0	3,066,978	14,026,394
Investment Earnings	199,757	0	0	6,746	206,503
Tuition and Fees	6,695	0	0	1,407	8,102
Charges for Services	0	0	0	68,949	68,949
Extracurricular	0	0	0	130,819	130,819
Payments in Lieu of Taxes	0	0	50,000	0	50,000
Miscellaneous	192,883	0	0	1,000	193,883
<i>Total Revenues</i>	<u>13,174,598</u>	<u>0</u>	<u>50,000</u>	<u>3,316,485</u>	<u>16,541,083</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	4,299,730	0	0	1,962,474	6,262,204
Special	1,654,087	0	0	246,932	1,901,019
Vocational	234,902	0	0	0	234,902
Adult/Continuing	353	0	0	0	353
Support Services:					
Pupils	351,882	0	0	60,785	412,667
Instructional Staff	312,565	0	0	119,341	431,906
Board of Education	305,556	0	0	1,000	306,556
Administration	963,253	0	0	0	963,253
Fiscal	299,945	0	0	1,448	301,393
Operation and Maintenance of Plant	4,135,221	0	0	111,736	4,246,957
Pupil Transportation	1,069,066	0	0	0	1,069,066
Central	32,445	0	0	2,254	34,699
Operation of Non-Instructional Services:					
Community Services	0	0	0	9,056	9,056
Food Service Operations	0	0	0	882,885	882,885
Extracurricular Activities	156,172	0	0	77,615	233,787
Capital Outlay	39,879	0	383,070	428,642	851,591
Debt Service:					
Principal Retirement	0	110,000	0	0	110,000
Interest and Fiscal Charges	0	164,498	0	0	164,498
<i>Total Expenditures</i>	<u>13,855,056</u>	<u>274,498</u>	<u>383,070</u>	<u>3,904,168</u>	<u>18,416,792</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(680,458)</u>	<u>(274,498)</u>	<u>(333,070)</u>	<u>(587,683)</u>	<u>(1,875,709)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Capital Assets	0	50,000	0	0	50,000
Transfers In	0	0	2,000,000	537,173	2,537,173
Transfers Out	(2,530,000)	0	0	(7,173)	(2,537,173)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,530,000)</u>	<u>50,000</u>	<u>2,000,000</u>	<u>530,000</u>	<u>50,000</u>
<i>Net Change in Fund Balances</i>	<u>(3,210,458)</u>	<u>(224,498)</u>	<u>1,666,930</u>	<u>(57,683)</u>	<u>(1,825,709)</u>
<i>Fund Balances at Beginning of Year (Restated - Note 22)</i>	<u>8,024,599</u>	<u>3,608,083</u>	<u>2,270,160</u>	<u>737,843</u>	<u>14,640,685</u>
<i>Fund Balances at End of Year</i>	<u>\$4,814,141</u>	<u>\$3,383,585</u>	<u>\$3,937,090</u>	<u>\$680,160</u>	<u>\$12,814,976</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, 2004*

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**Net Change in Fund Balances - Total Governmental Funds** (\$1,825,709)

*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 outlay in the current period:

Capital Asset Additions	2,953,180	
Depreciation Expense	<u>(1,899,877)</u>	1,053,303

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital asset is removed from the capital account on the statement of net assets and is offset against the proceeds from the sale of the capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from the sale of capital assets	(50,000)	
Gain on disposal of capital assets	<u>250,000</u>	200,000

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

Grants	(144,038)	
Delinquent Taxes	<u>(21,912)</u>	(165,950)

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

110,000

In the statement of activities interest is accrued on outstanding bonds and notes, whereas in governmental funds, interest is expended when due.

(1,692)

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

Intergovernmental Payables	(80,680)	
Compensated Absences	<u>(86,955)</u>	<u>(167,635)</u>

*Change in Net Assets of Governmental Activities* (\$797,683)

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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$1,768,643	\$1,857,907	\$1,857,907	\$0
Intergovernmental	11,482,534	10,959,416	10,959,416	0
Investment Earnings	160,000	190,172	190,172	0
Tuition and Fees	10,495	6,695	6,695	0
Miscellaneous	217,800	206,674	206,674	0
<i>Total Revenues</i>	13,639,472	13,220,864	13,220,864	0
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	4,990,516	4,363,258	4,363,258	0
Special	1,600,627	1,689,627	1,689,627	0
Vocational	220,209	236,987	236,987	0
Other	47,717	28,731	28,731	0
Support Services:				
Pupils	342,462	387,315	387,315	0
Instructional Staff	301,455	311,320	311,320	0
Board of Education	479,242	562,521	562,521	0
Administration	825,452	946,419	946,419	0
Fiscal	266,917	304,525	304,525	0
Operation and Maintenance of Plant	3,650,947	5,042,588	5,042,588	0
Pupil Transportation	989,596	1,113,437	1,113,437	0
Central	35,469	32,445	32,445	0
Extracurricular Activities	169,671	169,274	169,274	0
Capital Outlay	78,113	39,879	39,879	0
<i>Total Expenditures</i>	13,998,393	15,228,326	15,228,326	0
<i>Excess of Revenues Under Expenditures</i>	(358,921)	(2,007,462)	(2,007,462)	0
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	0	310	310	0
Transfers In	547,494	0	0	0
Transfers Out	(771,143)	(2,530,000)	(2,530,000)	0
<i>Total Other Financing Sources (Uses)</i>	(223,649)	(2,529,690)	(2,529,690)	0
<i>Net Change in Fund Balance</i>	(582,570)	(4,537,152)	(4,537,152)	0
<i>Fund Balance at Beginning of Year</i>	7,589,838	7,589,838	7,589,838	0
Prior Year Encumbrances Appropriated	2,147,581	2,147,581	2,147,581	0
<i>Fund Balance at End of Year</i>	\$9,154,849	\$5,200,267	\$5,200,267	\$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, 2004

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$27,728</u></u>
<b>Liabilities</b>	
Undistributed Monies	\$6,919
Due to Students	<u>20,809</u>
<i>Total Liabilities</i>	<u><u>\$27,728</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, 2004*

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## **Note 1 - Description of the School District and Reporting Entity**

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 mandated by State statute and federal agencies. This Board of Education controls the School District's three instructional/support facilities staffed by 102 classified employees and 151 certified teaching and administrative personnel, who provide services to 1,920 students and other community members.

### ***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that 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, and the Pilasco-Ross Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Lawrence County Schools Insurance Consortium, which are defined as insurance purchasing pools. These organizations are presented in Notes 15 and 16.

## **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting purchasing principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. 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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.



## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 2 – Summary of Significant Accounting Policies** *(continued)*

**Government-wide Financial Statements** The statement of net assets 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 funds.

The statement of net assets 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; and interest earned on grants that is required to be used to support 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. The funds used by this School District can be classified using two categories, 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 is reported as fund balance. The following are the School District's major governmental funds:

**General Fund** The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Bond Retirement Debt Service Fund** The Bond Retirement Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Permanent Improvements Capital Project 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.

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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### **Note 2 – Summary of Significant Accounting Policies** (continued)

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 funds are agency funds, which account for student activities.

#### **C. Measurement Focus**

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

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include 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 revenue, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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 6). 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.

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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### **Note 2 – Summary of Significant Accounting Policies** (continued)

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, interest, tuition, grants, student fees, and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

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

The 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".

The School District has a segregated bank account for the retainage monies held separate from the School District's central bank account. This checking account is presented on the balance sheet as "segregated cash and cash equivalents" since they are kept separate from the School District treasury.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$199,757, which includes \$116,468 assigned from other School District funds.

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 imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets include amounts required by State Statute to be set-aside by the School District for textbooks and budget stabilization, and unexpended grants restricted for the purchase of buses. See Note 20 for additional information regarding set-asides. Restricted assets also include the retainage held for construction contracts.

**Rock Hill Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 2 – Summary of Significant Accounting Policies** *(continued)*

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

**H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated commodities held for resale.

**I. 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 assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed 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	5-15 years
Vehicles	5 years

**J. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers within governmental activities are eliminated on the government-wide financial statements.

**K. 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.

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 2 – Summary of Significant Accounting Policies** *(continued)*

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.

#### **L. 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, compensated absences, and contractually required pension contributions 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. Bonds are recognized as a liability on the governmental fund financial statements when due.

#### **M. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, bus purchases, textbooks, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for textbooks represents money required to be set-aside by statute for the acquisition of instructional materials. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

#### **N. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Amounts owed to a particular fund, by another fund for goods or services rendered are classified as "Due from Other Funds/Due to Other Funds." These amounts are eliminated on the statement of net assets.

#### **O. 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.

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 2 – Summary of Significant Accounting Policies** *(continued)*

#### ***P. Net Assets***

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

#### ***Q. Budgetary Process***

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and 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 without resolution by the Board.

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.

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, 2004*

**Note 3 – Fund Deficits**

The following funds had deficit fund balances as of June 30, 2004:

	<u>Deficit</u>
<b>Special Revenue Funds:</b>	
Title I	108,467
Title II-A	23,553

These deficits resulted from the recognition of deferred revenue on grants and payables in accordance with Generally Accepted Accounting Principles. 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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (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 as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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	(\$3,210,458)
Revenue Accruals	46,576
Expenditure Accruals	(127,179)
Prepaid Items:	
Beginning of Year	155,146
End of Year	(120,130)
Encumbrances	<u>(1,281,107)</u>
Budget Basis	<u><u>(\$4,537,152)</u></u>

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 5 - Deposits and Investments**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

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.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,



**Rock Hill Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 5 – Deposits and Investments***(continued)*

- Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held until maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$8,897,959 and the bank balance was \$9,467,648. Of the bank balance:

- \$100,000 was covered by federal depository insurance; and
- \$9,367,648 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department or agent in the School District's name and all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	<u>Category 3</u>	<u>Carrying/ Fair Value</u>
Repurchase Agreements	<u>\$6,000,000</u>	<u>\$6,000,000</u>

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

### **Note 5 – Deposits and Investments**(continued)

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$14,897,959	\$0
Repurchase Agreement	(6,000,000)	6,000,000
GASB Statement 3	<u>\$8,897,959</u>	<u>\$6,000,000</u>

### **Note 6 - 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, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable

**Rock Hill Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 6 – Property Taxes***(continued)*

as of June 30, 2004 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. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

The amount available as an advance at June 30, 2004, was \$19,207 in the General Fund and \$429 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2003, was \$61,267 in the General Fund and \$1,373 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 has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<u>2003 Second Half Collections</u>		<u>2004 First Half Collections</u>	
Real Property	\$57,480,870	63.78%	\$58,720,210	65.74%
Public Utility Tangible Personal Property	14,067,180	15.61%	14,156,440	15.85%
Tangible Personal Property	<u>18,570,320</u>	<u>20.61%</u>	<u>16,445,064</u>	<u>18.41%</u>
<b>Total</b>	<b><u>\$90,118,370</u></b>	<b><u>100.00%</u></b>	<b><u>\$89,321,714</u></b>	<b><u>100.00%</u></b>
Tax Rate per \$1,000 of Assessed Valuation		\$23.00		\$23.00

**Note 7 - Receivables**

Receivables at June 30, 2004, consisted of property taxes, accounts, due from other funds, and intergovernmental grants. 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. All receivables are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
School Lunch and Breakfast Program	\$89,285
Title I	143,951
Title II-A	31,990
Miscellaneous	<u>23,426</u>
<b>Total</b>	<b><u>\$288,652</u></b>

**Rock Hill Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 8 – Payment in Lieu of Taxes**

As provided by State law, the School District has entered into an agreement with a property owner under which the School District has granted property tax abatements to that property owner. The property owner has agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owner would have paid if the taxes had not been abated. The property owner’s contractually promise to make these payments in lieu of taxes. The School District received \$50,000 of payments in lieu of taxes for fiscal year 2004. Based upon scheduled payments in this agreement, a receivable and deferred revenue has been recorded in the Permanent Improvements Capital Projects Fund.

**Note 9 - 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 2004, the School District contracted with the Indiana Insurance Company for property, boiler, general liability, fleet, and professional liability insurance. The types and amounts of coverage provided are as follows:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$5,000	\$51,607,400
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Products - Completed Operations Aggregate Limit	0	1,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Fire Damage Limit - Any One Event	0	500,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	2,000,000
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	5,000
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	0	1,000,000
Per Accident	0	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 2003.

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

### **Note 9 – Risk Management** *(continued)*

#### **B. Workers' Compensation**

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

### **Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 6/30/03	Additions	Deductions	Balance at 6/30/04
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$817,657	\$0	\$0	\$817,657
Construction in Progress	602,439	737,994	(602,439)	737,994
Total Nondepreciable Capital Assets	<u>1,420,096</u>	<u>737,994</u>	<u>(602,439)</u>	<u>1,555,651</u>
Depreciable Capital Assets:				
Land Improvements	8,099,014	222,873	0	8,321,887
Buildings and Improvements	39,556,480	2,123,531	(2,956,509)	38,723,502
Furniture, Fixtures, and Equipment	888,537	290,492	0	1,179,029
Vehicles	1,761,199	180,729	0	1,941,928
Total Depreciable Capital Assets	<u>50,305,230</u>	<u>2,817,625</u>	<u>(2,956,509)</u>	<u>50,166,346</u>
Less Accumulated Depreciation:				
Land Improvements	(826,947)	(405,173)	0	(1,232,120)
Buildings and Improvements	(6,626,539)	(1,201,059)	2,956,509	(4,871,089)
Furniture, Fixtures, and Equipment	(268,861)	(118,967)	0	(387,828)
Vehicles	(1,161,346)	(174,678)	0	(1,336,024)
Total Accumulated Depreciation	<u>(8,883,693)</u>	<u>(1,899,877) *</u>	<u>2,956,509</u>	<u>(7,827,061)</u>
Total Capital Assets being Depreciated, Net	<u>41,421,537</u>	<u>917,748</u>	<u>0</u>	<u>42,339,285</u>
Capital Assets, Net	<u>\$42,841,633</u>	<u>\$1,655,742</u>	<u>(\$602,439)</u>	<u>\$43,894,936</u>

Certain reclassifications were made to both the original cost and accumulated depreciation for buildings and improvements as of the beginning of the year which had no effect on net capital assets.

# Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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## **Note 10 – Capital Assets** (continued)

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,265,433
Vocational	863
Support Services:	
Instructional Staff	13,974
Board of Education	20,875
Administration	13,284
Pupil Transportation	531,277
Central	1,725
Food Service Operation	7,763
Extracurricular Activities	44,683
Total Depreciation Expense	<u>\$1,899,877</u>

## **Note 11 - Defined Benefit Pension Plans**

### **A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations.

The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$155,713, \$158,455, and \$104,169, respectively; 44.86 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

### **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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 11 – Defined Benefit Pension Plans** *(continued)*

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

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

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

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$673,595, \$760,931, and \$532,053 respectively; 78.90 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$140 made by the School District and \$134 made by the plan members.

### **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 Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 12 - Postemployment Benefits**

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

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 12 – Postemployment Benefits**(continued)

by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$51,815 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$84,109.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

### **Note 13- 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. 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 up to a maximum of 225 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days.



## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

### **Note 13 – Employee Benefits**(continued)

#### **B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to all employees in the amount of \$20,000.

Health insurance is provided by Medical Mutual Insurance. Monthly premiums for this coverage are \$1,093.37 for family coverage and \$443.10 for single coverage. The School District pays 86% of these premiums for certified employees and 95% for non-certified employees.

### **Note 14 – Long Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2004 were as follows:

	Principal Outstanding			Principal Outstanding	Amounts Due in
	06/30/03	Additions	Deductions	6/30/04	One Year
<b>Governmental Activities:</b>					
1999 4.97% School Construction					
General Obligation Bonds	\$3,430,000	\$0	\$110,000	\$3,320,000	\$115,000
Sick Leave Benefits	813,082	124,079	37,124	900,037	57,902
Total Governmental Activities					
Long-Term Liabilities	<u>\$4,243,082</u>	<u>\$124,079</u>	<u>\$147,124</u>	<u>\$4,220,037</u>	<u>\$172,902</u>

The School District issued School Building Improvement General Obligation Bonds for \$3,790,000 as a result of the School District being approved for a \$36,896,293 school facilities loan through the State Department of Education for the construction of a new elementary, middle, and high school. The School District issued the general obligation bonds on April 1, 1999, to provide the local required match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 5.8 mill levy. 5.3 mills will be used to repay the debt issue which provides the matching funds required of the School District as a condition of the State Loan.

Rock Hill Local School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$36,896,293 classroom facilities grant to the State. In lieu of the repayment, the School District must set aside .5 mill of the 5.80 mill levy mentioned above for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires.

Compensated absences will be paid from the General Fund and the Food Service, Disadvantaged Pupil Impact Aid, Title 1, and the Title II-A Special Revenue Funds.

The School District's overall legal debt margin was \$8,038,954, with an unvoted debt margin of \$89,322 at June 30, 2004.

## Rock Hill Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### **Note 14 – Long Term Obligations**(continued)

Principal and interest requirements to retire school facilities bonds outstanding at June 30, 2004, are as follows:

Fiscal Year Ended December 31,	Principal	Interest	Total
2005	\$115,000	\$159,940	\$274,940
2006	115,000	155,168	270,168
2007	120,000	150,203	270,203
2008	125,000	144,965	269,965
2009	135,000	139,341	274,341
2010-2014	745,000	601,839	1,346,839
2015-2019	965,000	390,236	1,355,236
2020-2023	1,000,000	103,750	1,103,750
	<u>\$3,320,000</u>	<u>\$1,845,442</u>	<u>\$5,165,442</u>

### **Note 15 - Jointly Governed Organizations**

#### **A. South Central Ohio Computer Association**

The South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. The School District paid \$46,890 for services provided during fiscal year 2004. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

#### **B. Pilasco-Ross Special Education Regional Resource Center**

The Pilasco-Ross Special Education Regional Resource Center (Pilaso-Ross) is a special education regional resource service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operations. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents.

Pilasco-Ross is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered non-public schools, representatives of county boards of MR/DD, Shawnee State University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the board. The Rock Hill Local School District's Superintendent is an alternate on the Pilasco-Ross Board. Financial information can be obtained by contacting the fiscal agent, Jim Tordiff, Treasurer, at Dawson-Bryant Local School District, 222 Lane Street, Coal Grove, Ohio 45638.

## Rock Hill Local School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

### **Note 16 - Insurance Purchasing Pools**

#### ***A. Ohio School Board's 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 Insurance Purchasing Consortium***

The School District participates in the Lawrence County Insurance Purchasing Consortium, an insurance purchasing pool. The Consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers.

### **Note 17 – Interfund Activity**

Transfers made during fiscal year 2004 were as follows:

<b><u>Transfer from</u></b>	<b><u>Permanent Improvements</u></b>	<b><u>Other Nonmajor Governmental</u></b>	<b><u>Total</u></b>
General Fund	\$2,000,000	\$530,000	\$2,530,000
Other Nonmajor Governmental	0	7,173	\$7,173
Total All Funds	<u>\$2,000,000</u>	<u>\$537,173</u>	<u>\$2,537,173</u>

The above mentioned transfers from/to were used to use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### **Note 18 - Contractual Commitments**

As of June 30, 2004, the School District had contractual purchase commitments for the completion of construction of the new elementary, middle, and high schools, and a child development center and a sports complex as follows:

**Rock Hill Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 18 – Contractual Commitments**(Continued)

Project	Fund	Contract Amount	Amount Expended	Balance at 06/30/04
Sports Complex	General	\$1,748,052	\$1,485,705	\$262,347
	Permanent Improvements Capital Projects Fund	836,895	159,431	677,464
Elementary School	Classroom Facilities Capital Projects Fund	8,487,636	8,481,476	6,160
	High School			
	Classroom Facilities Capital Projects Fund	7,866,088	7,852,248	13,840
Total		<u>\$18,938,671</u>	<u>\$17,978,860</u>	<u>\$959,811</u>

**Note 19 - Contingencies**

**A. Grants**

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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, 2004.

**B. Litigation**

The School District is a party to various legal proceedings; however in the opinion of management, the results of the proceedings will not have material effect on the financial statements of the District.

**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 purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the 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 required to set-aside money for budget stabilization.

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

**Rock Hill Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 20 – Set – Aside Calculations**(continued)

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of as of June 30, 2003	\$154,389	(\$138,347)	\$124,918
Current Year Set-Aside Requirement	281,925	281,925	0
Current Year Offsets	0	(45,664)	
Qualifying Disbursements	<u>(140,410)</u>	<u>(231,918)</u>	<u>0</u>
Totals	<u>\$295,904</u>	<u>(\$134,004)</u>	<u>\$124,918</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$295,904</u>	<u>(\$134,004)</u>	<u>\$124,918</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>\$295,904</u>	<u>\$0</u>	<u>\$124,918</u>

The School District had qualifying expenditures during the previous fiscal years that reduced the capital improvement set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years.

**Note 21 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**Note 22 – Restatement of Fund Balance**

Due to accounting errors related to prior period balances, the net change of beginning fund balances is as follows:

	<u>Beginning Fund Balance</u>	<u>Adjustments</u>	<u>Restated Fund Balance</u>
General Fund	\$7,004,421	\$1,020,178	\$8,024,599
Other Governmental Funds	1,758,021	(1,020,178)	737,843

**Note 23 – Notes Receivable**

The District sold their old middle school for \$250,000. The District received \$50,000 as a down payment, with the balance of \$200,000 to be repaid over an eight year period in annual installments of \$25,000 plus interest of four percent.

Payments are to be made on September 1 of each year. The note receivable was recorded in the fund financial statements with a corresponding liability for deferred revenue recorded. In the government wide financial statements the District recorded a gain on the sale of the property of \$250,000 since the building was fully depreciated and eliminated the proceeds from the sale of capital assets of \$50,000 and the deferred revenue of \$200,000.

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Rock Hill Local School District  
Lawrence County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$ -	\$ 50,201	\$ -	\$ 50,201
School Breakfast Program	05PU	10.553	114,528	-	114,528	-
National School Lunch	LLP4	10.555	274,024	-	274,024	-
Summer Food Service Program for Children	24PU	10.559	1,152	-	1,152	-
<b>Total United States Department of Agriculture - Nutrition Cluster</b>			389,704	50,201	389,704	50,201
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States	6BSF	84.027	295,946	-	268,793	-
Special Education Preschool Grants	PGS1	84.173	11,622	-	10,365	-
Total Special Education Cluster			307,568	-	279,158	-
Title I Grants to Local Education Agencies	C1S1	84.010	826,045	-	848,408	-
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	21,110	-	30,727	-
School Grants for Innovative Programs	C2S1	84.298	15,439	-	11,997	-
Education Technology State Grants	TJS1	84.318	19,311	-	19,488	-
Improving Teacher Quality State Grants	TRS1	84.367	185,043	-	192,977	-
Federal Emergency Repair Fund	ATS3	84.352a	-	-	5,894	-
<b>Total United States Department of Education</b>			1,374,516	-	1,388,649	-
<b>Total Federal Financial Assistance</b>			\$ 1,764,220	\$ 50,201	\$ 1,778,353	\$ 50,201

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Expenditures

Rock Hill Local School District  
Notes to the Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2004

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards 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**

Non monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.



**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687  
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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rock Hill Local School District, Lawrence County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the District's management in a separate letter dated March 25, 2005.

Rock Hill Local School District  
Lawrence County  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance  
with *Governmental Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 25, 2005

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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## **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

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

### **Compliance**

We have audited the compliance of the Rock Hill Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### **Internal Control Over Compliance**

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

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

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



Balestra, Harr & Scherer  
March 25, 2005

ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY  
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

**SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions 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 weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #10.550, 10.553, 10.555, & 10.559 Nutrition Cluster & CFDA #84.027 & 84.173 Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

ROCK HILL LOCAL SCHOOL DISTRICT  
LAWRENCE COUNTY  
JUNE 30, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**Auditor of State  
Betty Montgomery**

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**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  
JUNE 21, 2005**